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OFFICE OF THE CLERK

No. _____

In the Supreme Court of the United States

DON H. PACE,

Petitioner,

v.

THE HONORABLE PENDLETON GAINES,
JUDGE, SUPERIOR COURT OF ARIZONA,
COUNTY OF MARICOPA, ET AL.

Respondent.

ON PETITION FOR WRIT OF CERTIORARI
TO THE SUPREME COURT
OF THE STATE OF ARIZONA

PETITION FOR WRIT OF CERTIORARI

DON H. PACE
305 PELICAN CIRCLE
PANAMA CITY BEACH, FL 32413-7019
(850) 231-0840

Petitioner, In Properia Persona

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QUESTION PRESENTED

Whether the Due Process Clause of the Fourteenth Amendment to the U.S. Constitution permits an order rendered *in absentia,* under the Arizona Insurance regulatory statutes, A.R.S. Sections 20-614(A), *et seq.*, to be enforced against a non-party and a person not in privy with a party, *post hoc, on* the theory that the Arizona insurance regulatory statutes operates *in rem,* as to actions by the non-party which are *actio in personam*?

LIST OF ALL PARTIES TO PROCEEDINGS BELOW

The only party named in the Special Action appears in the caption. However, the Court of Appeals allowed the following persons to appear as an interested persons:

> CHARLES R. COHEN, Commissioner of Insurance and Receiver of American Bonding Company, and MICHAEL J. FITZGIBBONS, Special Deputy Receiver of American Bonding Company.

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Petitioner Don H. Pace, *pro se,* ("Don Pace") respectfully petitions for a writ of certiorari to review the judgment of the Supreme Court of the State of Arizona in this case, affirming a decision by the Court of Appeals, Division One, State of Arizona, and the Superior Court Maricopa County, Arizona court.

OPINIONS BELOW

The judgment of the Supreme Court of Arizona dated August 12, 2002, denying a petition for review of the decision of the Court of Appeals for the State of Arizona, Division One, is included as App., *infra,* 1. The order of the Court of Appeals for the State of Arizona accepting jurisdiction of the Special Action but denying relief is unreported and is included as App., *infra,* 2. The judgment of the Superior Court, Maricopa County, State of Arizona, dated March 1, 2002, finding Petitioner Don H. Pace in contempt of a 1995 order entered in a case in which he was not a party, is unreported and is included as App., *infra,* 3.

The judgment that the Maricopa County, Arizona Superior Court order of which Petitioner was erroneously found in contempt was entered in February 1995, in an action entitled *State of Arizona, ex.rel. v. American Bonding Company,* Case Number CV95-01684 and is included as App., *infra,* 4. The predicate for the February 1995 order of the Maricopa County Superior Court was an order issued by the Arizona Department of Insurance dated August 25, 1994, which is included as App. *Infra,* 5.

JURISDICTION

This Petition is timely filed within 90 days of the Supreme Court of Arizona's August 12, 2002 denial of

Petitioner Don H. Pace's ("Don Pace") Petition for Review. The jurisdiction of this Court is invoked under 28 U.S.C. 1257 in that the judgments below are repugnant to the U.S. Constitution.

STATUTORY PROVISIONS INVOLVED

Arizona Revised Statutes Section 20-614(A), adopted by all 50 States as the Uniform Insurers Liquidation Act ("UILA"), authorizes a Superior Court to:

> "**without notice** issue an injunction restraining the insurer, its officers . . . and **all other persons** from . . . the waste or disposition of its property. . . ." (Emphasis added)[1]

CONSTITUTIONAL PROVISIONS INVOLVED

This Petition involves the Due Process Clause of the Fifth Amendment made applicable to *the* states by virtue of the Fourteenth Amendment to the U.S. Constitution, which provides in part:

> "No State shall make or enforce any law which shall abridge the privileges or immunities of citizens of the United States; nor shall any

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[1] Almost 70 years ago, in *Chase National Bank v. City of Norwalk*, 431 U. S. 426 (1934), this Court found identical language to be unconstitutionally overly broad. A comparison of the language of the Statutory Provisions Involved with the language of the Fourteenth Amendment just below, removes any doubt as to the *unconstitutionality* of Arizona Revised Statutes Section 20-614(A). How the NAIC could promote this statute of all 50 states, is beyond comprehension.

State deprive any person of life, liberty, or property, without due process of law; . . . ."

STATEMENT OF THE CASE

A. INTRODUCTION.

This case comes about as a result of the Arizona and California Insurance Departments' ("DOI") complete disregard for the decision of this Court in *Securities and Exchange Commission v. National Securities, Inc.*, 393 U.S. 453 (1969). There, the AZDOI sought to assert authority over shareholder relations under its statutory regulations of insurance companies in disregard for the Supremacy Clause and the Securities and Exchange Act.

Disregarding this Court's command in *National Securities*, in 1994, the AZDOI unlawfully interfered with an SEC approved shareholder written consent process under Delaware law, and claimed the right to interfere with the shareholders' election of a new board of directors. See App. 5, *infra,* page 1, lines 16-21, page 2, lines 5-25. In June and July 1994, the CA DOI and AZDOI fatuously claimed that the SEC approved Written Consent Solicitation process under which existing shareholders simply voted their shares for or against the removal of the board of directors, was in fact "an offer to enter into an agreement to acquire control of" American Bonding Company ("ABC")." See App. 5, *infra,* p. 2, lines 5-14, p. 1, lines 16-21; App. 6.

Obviously, the 1994 Consent Solicitation process sanctioned by the SEC did not involve any solicitation for the purchase of shares of Pace American Group, Inc. ("Pace

American")[2] or acquiring the "control." Each shareholder retains "control" of his or her shares. All that the shareholders of Pace American did in June 1994 was to vote their shares in writing either for or against the proposed resolution. They did not relinquish "control" of their shares to anyone.

AZDOI's claim that the written consent process involved the acquiring of "control" was spurious and pretextual.

Arizona did not approve of the shareholder elected new directors and as a result of the Supervision Order dated August 25, 1994, the AZDOI assumed control of a financially healthy, profitable insurance company with annual revenues in excess of $37 Million and capital and surplus in excess of $12.5 million. App. 5, 7 and 8 *infra*. By January 1995, the AZDOI installed supervisor had terminated all business, reducing ABC's income to zero, and manipulated its capital account, artificially transferring $10 million of its $12.5 million in capital to loss reserves. Thus, having created the illusion of financial problems, on February 2, 1995 the AZDOI filed an order in the Maricopa County, Arizona Superior Court, forcing ABC into "receivership." ("1995 Order"). App. 4 *infra*.

The only party defendant to this action was ABC. App. 4, *infra,* p. 1, lines 13-14. This order granted a variety

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[2] Don Pace, founded Pace American and is its largest shareholders. App. 8 and 9, *infra*. The written consent process was to remove the board of directors that had taken over Pace American and terminated his contract in March 1994. App 5, *infra,* , p. 1. lines 22-26; App. 6.

of injunctive relief, and pursuant to Arizona Revised Statutes Section 20-614(A), ordered that:

> "B. IT IS FURTHER ORDERED THAT except by leave of this Court . . ., the Defendant [ABC] . . . **and other persons** . . ., be and they hereby are enjoined from:
>
> 1. Commencing, prosecuting, continuing or enforcing any claim, suit or proceeding against ABC. . . ." (Emphasis added). App. 4, *Infra,* p 4, lines 18-26, p. 5, lines 1-6.

B. PROCEEDINGS BELOW IN WHICH THE SUPERIOR COURT *REJECTED* THIS COURT'S DECISIONS IN *Chase National Bank v. City of Norwalk,* 431 U.S. 426 (1934), *Zenith Corp., v. Hazeltine,* 395 U.S. 100 (1969) AND OTHERS, FINDING THEM "FRIVOLOUS," AND HELD THAT A NON-PARTY AND A PERSON NOT IN PRIVY WITH A PARTY COULD BE HELD IN CONTEMPT IN MARCH 2002 OF AN ORDER ISSUED IN 1995 .

ABC has remained in "receivership" since 1995. In 2001, the receiver filed suit in Maricopa County, Arizona Superior Court against a number of persons on claims that had long before been litigated by other parties and resolved against the receiver's theories. Among the persons named as

defendants in the suit were Bonne Pace and her husband Don Pace.[3] App. 3, *infra,* pp.2-3.

The case was removed to the United States District Court, Arizona, and thereafter, Don Pace and his wife filed their answer and on behalf of Pace American shareholders, also asserted shareholder derivative counterclaims against the receiver and his sycophant attorneys under RICO. App. 3, pp. 2-3.

Three months after the filing of the shareholder derivative RICO counterclaims against the receiver and his attorneys for multiple instances of fraud, on October 26, 2001 the receiver filed, and on November 13, 2001, served a Show Cause Order on Don Pace at his Florida home, commanding that he show why he should not be held in contempt of the 1995 Order by virtue of his filing of the shareholder derivative counterclaim in Federal Court. App. 3, *infra,* pps. 1, 2, and 5, lines13-20.

Although Don Pace did not agree with the show cause order,[4] he nevertheless, on November 18, 2001, filed a

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[3] Don Pace has been a Florida resident since childhood and for a substantial number of years, had been residents of the State of Florida. App. 3, *infra,* pp.3-4.

[4] In addition to the fact that Don Pace never had "his own day in court" before the 1995 order was issued, the 1995 Order only prohibited suits against "ABC or against any of its assets. . ." App. 4, *infra.* p. 5, lines 3-5. Nothing in the 1995 Order restrained suits personally against the receiver and the receiver's attorneys for their independent fraudulent conduct, a distinction ignored by the receiver in the show cause order, and by the Maricopa County, Arizona Superior Court in its March 1, 2002 judgment of

motion in Federal Court to file an amended answer dropping the shareholder derivative RICO counterclaims. *Id.*

Despite having ceased the allegedly offending act of filing a RICO derivative counterclaims, the receiver continued to pursue the show cause order (App. 3, *infra,* p. 5, lines13-20) and on March 1, 2002, *in absentia,* the Maricopa County, Arizona Superior Court entered a judgment holding Don Pace in contempt of the 1995 Order. App. 3, *infra.*

Don Pace had filed a motion to quash, pointing out to the Superior Court, among other things, that the decisions of this Court in ***Chase National Bank v. City of Norwalk,*** 431 U.S. 426 (1934), *Zenith Corp., v. Hazeltine,* 395 U.S. 100 (1969) and appellate decisions such as Judge Learned Hand in *Alemete Manufacturing Corp. v. Staff,* 42 F.2d 832 (2d Cir. 1930), uniformly have held that a non-party and person not in privy with a party cannot be held in contempt of an order entered *in absentia.*

The Superior Court rejected these authorities as **"Frivolous."** App. 3, *infra,* p. 5, lines 12 and 21.

The Superior Court's finding that Don Pace was in contempt of the 1995 Order was that he "had actual notice" of the 1995 Order and that "under A.R.S. 20-614 . . operates *in rem* against any individual . . . ." App. 3, *infra,* p. 3, lines 5, 19-20.

While the 1995 Order had *in rem* aspects, the prohibition against suits (App. 4, *infra)* operated only *in*

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contempt. App. 3, *infra,* pp. 2-3.

personam. See, United States v. Dean Rubber Mfg. Co., 71 F. Supp. 96, 97-98 (W.D. Mo. 1946).

A judgment of contempt is not an appellable order in Arizona so Don Pace filed a Special Action in the Court of Appeals, State of Arizona, Division One, seeking a review of the judgment of contempt. On April 11, 2002, the Court of Appeals affirmed the March 1, 2002 judgment of contempt. App. 2, *Infra*

REASONS FOR GRANTING THE PETITION

Due process concerns are implicit in the idea that every party is entitled to their "own day in court" before any order can be enforced against them. *See, e.g., Meza v. General Battery Corp.*, 908 F.2d 1262, 1265 (5th Cir. 1990). This constitutional concept has been imbedded by this Court in Federal Rules of Civil Procedure, Rule 65 (d), which expressly limits the application of an injunctive order "only" to parties and their privies. While Arizona has a comparable rule of civil procedure, by this case, Section 20-614 (A) has been held to operate independent of Arizona's Rule 65 and thus, Arizona Courts are permitted to ignore the constitutional limitations of Rule 65.

Section 20-614(A) is part of the UILA, and the decision in this case will cause a proliferation of unconstitutional applications of orders issued by courts against

non-parties in virtually all states.[5] The guidance from this Court is acute.

This case is a timely and rare opportunity to provide guidance to all state courts as to the limits of restraining orders and their UILA version of Section 20-614(A). Moreover, the decisions below totally disregard over 70 years of precedent of this Court and the issue that it addresses is important in that courts must be reminded that no statute can operate unconstitutionally against non-parties.

Equally insidious is the Superior Court's holding that Section 20-614(A) operates *in rem* even as to matters clearly *in personam*.

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[5] *Because* of the incestuous relationship between state departments of insurance through the National Association of Insurance Commissioners, who meet quarterly, the decision in this case has undoubtedly been disseminated to all other 49 state departments of insurance.

I. The Judgment of the Arizona Superior Court Finding Petitioner, Who Was Not a Party to the 1995 Case When the Order Relied upon Was Issued, Conflicts with the Due Process Clause of the Fourteenth Amendment as Interpreted by this Court's Decision in *Chase National Bank v. City of Norwalk,* 431 U.S. 426 (1934) and Other Decisions of this Court and Was Erroneous.

The Superior Court based its decision solely upon the fact that years after the 1995 Order was entered, Don Pace received "notice." As long as 70 years ago, this Court established that notice of an order was constitutionally insufficient to comply with due process requirements.

In *Chase National Bank v. City of Norwalk,* 431 U. S. 426 (1934), this Court flatly rejected the holding by the Superior Court in this case, that "notice" of an order is sufficient to bind a non-party. In *Chase National,* the Plaintiff obtained an injunction forbidding the removal of piles, wires and other electrical equipment against the defendant, "its officers, agents and employees," and "**all persons whomsoever to whom notice of this order shall come.**" (Emphasis added). *Id.,* at 436-37.

In reaching its decision that the injunction in question could not be enforced against non-parties, this Court relied upon and affirmed Judge Learned Hand's decision in *Alemete Manufacturing Corp. v. Staff,* 42 F.2d 832 (2d Cir. 1930) *Id.,* at 437. This Court made it clear that "notice" of an order is insufficient to bind non-parties, saying:

> "But extending the injunction to 'all persons to whom notice of the injunction shall come,' the District Court assumed to make punishable as contempt the conduct of persons who act independently and **whose rights have not been adjudged according to law.** . . .To subject them to such perils violates established principles of equity jurisdiction and procedure. . . . Those principles require that the clause be **limited to confederates or associates of the defendant**." *Id.*, at 437. (Emphasis added).

Don Pace's rights were never adjudicated prior to the entry of the 1995 Order and he had not had "his own day in court." *See, e.g., Meza v. General Battery Corp.*, 908 F.2d 162, 1265 (5th Cir. 1990). Nor was Don Pace a "confederate or associate" of the defendant, ABC, in the 1995 Suit.

This Court's decision in *Chase National* requires reversal of the Court of Appeal's decision in this case.

This Court's decision in *Chase National* embraced the rationale of Judge Learned in *Alemete Manufacturing Corp. v. Staff*, 42 F.2d 832 (2d Cir. 1930). In *Alemete Manufacturing Corp*, the District Court had issued a restraining order against the defendant, and his agents. Subsequently, a third party, not a party to the original suit and acting on his own initiative, began conduct that violated the restraining order.

In the opinion by Judge Hand, the Second Circuit Court of Appeals reversed an order of contempt, stating that "it is not the act described which the decree may forbid, but only that act **when the defendant does it**." *Id.*, at 833 (Emphasis added).

Judge Hand made it clear that orders such as the 1995 Order and the overly broad language of Section 20-614(A), are a nullity as to non-parties, saying:

> "On the other hand no court can make a decree which will **bind any one but a party**; a court of equity is as much so limited as a court of law; it cannot lawfully **enjoin the world at large,** no matter how broadly it words its decree. If it assumes to do so, the decree is pro tanto brutum fulmen, and the persons enjoined are free to ignore it.
> It [the Court below] is not vested with sovereign powers to declare conduct unlawful; its jurisdiction is limited to those over whom it gets personal service, and who therefore can have their day in court.
>
> * * *
>
> The District Court had no more power in the case at bar to punish the respondent than a third party who never heard of the suit." *Id.*, at 833. (Emphasis added).

Judge Hand's holding is equally applicable to Section 20-614(A) in that it purports to grant authority to Arizona Superior Courts acting in receivership matters, the authority to "enjoin the world at large." The constitutional limit of the Arizona legislature, and the NAIC, is authority over parties and their privies. There is no authority to adopt a statute that permits a court to adjudicate a parties rights *in absentia*, and hold such non-parties in contempt when they never had their "own day in court" prior to the entry of the order.

Arizona courts and other NAIC state courts, can only " make a decree which will **bind any one but a party**;. . . it cannot lawfully **enjoin the world at large, . . .**" *Alemete* Manufacturing *Corp. v. Staff,* 42 F.2d 832 , 833 (2d Cir. 1930) (Emphasis added).

The decisions in this case ignore the commands of this Court and under Arizona Revised Statutes Section 20-614(A), these courts have sought to "enjoin the world at large." As a result, in 1995, the Arizona Courts purported to have adjudicated Don Pace's rights *in absentia,* and enforced a judgment against him in denial of his due process rights under the Fourteenth Amendment to the U.S. Constitution.

This Court has never deviated from the principles announced by Judge Hand and this Court in *Chase National Bank v. City of Norwalk,* 431 U. S. 426 (1934). For *example*, that courts can only bind persons who are parties and who thus had their own day in court, was re-affirmed in *Zenith Corp. v. Hazeltine,* 395 U. S. 100, 110 (1969), where *this* Court said:

> "It is elementary that one is not bound by a judgment *in personam* resulting from litigation in which he is not designated as a party or to which he has not been made a party by service of process. . . . The **consistent constitutional rule** has been that a court has no power to adjudicate a personal claim or **obligation** unless it has jurisdiction over the person of the defendant." (Emphasis added).

Moreover, this principle has been universally followed by other state courts, except for the decision of the Arizona Superior Court, which invoked Section 2-614(A).

> "It is so fundamental to our concept of justice that a citation of supporting authorities is unnecessary to hold that the rights of an individual cannot be adjudicated in a judicial proceeding to which he has not been made a party and from which he has literally been excluded by the failure of the moving party to bring him properly into court. Under our system a man's rights cannot be disposed of or otherwise determined by a judicial decree, entered in absentia." *Alger v. Peters,* 88 So.2d 903, 906 (Fla. Sup. Ct. *En Banc,* 1956)..

II. The Assertion of Jurisdiction Over a Non-Party On the Theory of *In Rem* Was in Error.

The Superior Court's claim that it could ignore the requirements of due process because the "injunctive provisions of the" February 2, 1995 order were "binding" on Don Pace because the authority of the court "operates *in rem*" under Arizona Revised Statutes Section 20-614 is also in error. App 3, *infra*, page 3.

Obviously, the Superior Court misunderstood the nature of an *in rem* injunction. An injunction is *in rem* only if it is directed at a *res,* either reality or personality. *U. S. v. Dean Rubber Mfg. Co.,* 71 F. Supp. 96, 98 (W.D. Mo. 1946); *Griffin v. Gulf Life Ins. Co.,* 146 So.2d 901, 902-03 (Fla. App. 1962); 42 **AM. JUR. 2D** ***Injunctions,*** 301 (2000). The only effect of an *in rem* injunction is that it "constitutes notice of its terms to any subsequent owner, lessee, or occupant, and they are bound by it." 42 **AM. JUR. 2D** ***Injunctions,*** 301 (2000).

Occasionally, an injunction may have both *in rem* and *in personam* provisions. In *United States v. Dean Rubber Mfg. Co.*, 71 F. Supp. 96 (W.D. Mo. 1946) the court noted the difference between *in rem* and *in personam* provisions, saying:

> "It is noted that the injunction decree in part is in personam and in part in rem, i.e., the injunction decree enjoins the corporation from distributing, in interstate commerce, 'any of the stock of defective rubber prophylactics which it now has on hand.' That portion of said decree is in rem. The prohibition of the decree which enjoins distributing in interstate commerce, 'any other quantity of defective rubber prophylactics with it may subsequently acquired,' is in personam." *Id.*, at 98.

The defective stock in inventory constituted the *res,* or *rem.* However, subsequently acquired stock was not in inventory and thus, could not constitute a *res* or rem.

As to the power of a court to bind a non-party to an injunction, the Court said:

> "It is only injunctions, acting in rem, that **bind successive ownerships of the rem**.[citations omitted] Only persons who **are parties** to an injunction decree, or in privity with those whose rights have been adjudicated thereby, **are bound by a personam decree.** *Chase Nat'l Bank v. Norwalk*, 291 U.S. 431, 78 L.Ed. 894." *Id.* (Emphasis added).

In *Dean Rubber,* there was no question that the persons sought to be held in contempt had actual notice of the injunction and that their conduct violated the injunction. However, since they were not parties to the injunction, they could not be held in contempt.

> "Under said rule [Rule 65(d)] mere knowledge, in and of itself, of the issuance of an injunction would not make that person, not a party to an injunction suit, liable to contempt proceedings for committing an independent act not done in 'active concert or participation with' a party bound by the injunction."
>
> * * *
>
> . . . . Only persons who are parties to an injunction decree, or in privy with those whose rights have been adjudicated thereby, are bound by a in personam decree." *Id.*, at 97-98.

In its judgment of contempt, the Superior Court was not seeking to "bind" Don Pace as "successive ownership of the rem." App. 3, *infra*. Rather, the Superior Court sought to bind Don Pace only to the *in personam* portion of the February 2, 1995 order, Section B, pages 4-7, dealing with filing suits against ABC. App. 3 and 4, *Infra.* The conduct of Don Pace sought to be punished by the Superior Court was the filing of counterclaims against individuals for tortious conduct, not the holding of ABC property.

Thus, the proceedings of the Superior Court were *in personam,* and its holding that it had *in rem* jurisdiction was error.

III. The Question Presented Is Important.

UILA was adopted after this Court last addressed the issue raised in this case in *Zenith Corp. v. Hazeltine,* 395 U. S. 100, 110 (1969). Indeed, no case has been found during the past 30 years in which this Court provided guidance to both the courts, legislatures and the NAIC, as to the constitutional limits of their authority to bind persons who did not have their "own day in court" before the order was issued.

The authorities cited in Section I of this petition were cited by Don Pace to the Superior Court, the Court of Appeals and the Arizona Supreme Court. The Superior Court found this Court's decisions **"Frivolous"** when compared with the power conferred under Arizona Revised Statutes Section 20-614(A).

The AZDOI undoubtedly views the decision as a major victory, authorizing it to trample upon the rights of non-parties at will. Moreover, as shown by the AZDOI's total disregard for this Court's decision in *Securities and Exchange Commission v. National Securities, Inc.*, 393 U.S. 453 (1969), (See App. 6), the AZDOI does not deem itself constrained by decisions of this Court. And the Superior Court shows its disdain for this Court characterizing its holdings as **"Frivolous."**

This decision in this case is undoubtedly well known to the DOI's in all 50 states. It is a given that those other states will seek to use the pernicious and insidious tool that the Court of Appeals' decision in this case represents and will infringe the rights of other non-parties in their receivership actions.

Before Arizona and other states leap to unconstitutional conclusions and apply the Superior Court's decision to other innocent persons, guidance from this Court is imperative to prevent further blatant disregard for the due process rights of all citizens.

CONCLUSION

The promulgation of the UILA containing the language adopted by Arizona in Section 20-614(A), shows either a lack of awareness of the decisions in this Court or a total disregard for the decisions of this Court as to the constitutional limits of injunctions. The Superior Court decision totally ignored this Court's decision, undoubtedly believing that Section 20-614(A) overruled this Court's holdings as cited above.

Every citizen in every state is now faced with the potential of being denied their constitutional rights to their "own day in court" before an order can be enforced against them. Arizona DOI has shown its disregard for decisions of this Court by interfering with the consent election process despite the clear mandate in *National Securities*.

The Superior Court has set the precedent for all other state courts to show their disregard for the decisions of this Court.

It is imperative that this Court address the issues in this case, least it will be viewed that this Court has given tacit approval to the decisions below.

For these reasons, the petition for a writ of certiorari should be granted.

Respectfully submitted,

Don H. Pace
305 Pelican Circle
Panama City Beach, FL 32413-7019

(850)231-0840

Petitioner *In Propria Persona*

APPENDIX A

SUPREME COURT
STATE OF ARIZONA
402 Arizona State Courts Building
1501 West Washington
Phoenix, Arizona 85007-3329
Telephone: (602) 542-9396

Noel K. Dessaint, Clerk of Court
Kathleen E. Kempley, Chief Deputy Clerk

Arizona Supreme Court No. CV-02-0168-PR
Court of Appeals Division One No. 1 CA-SA 02-0069
Maricopa County Superior Court No. CV 95-001684

[Filed August 13, 2002]

DON H. PACE	)
	)
v.	)
	)
HON PENDLETON GAINES et al	)
	)

GREETINGS:

The following action was taken by the Supreme Court of the State of Arizona on August 12, 2002, in regard to the above referenced cause:

ORDERED: Petition for Review by the Arizona Supreme Court [Request that Petition for Review be consolidated with Appeal filed in Case No. 1 CA-CV-02-0332 and Petition for Review filed in Case No. 1 CA-SA-02-0065] =DENIED.

FURTHER ORDERED: Appellants' Request for Consolidation of Consideration of Appeal and Petitions for Review = DENIED.

FURTHER ORDERED: Petition for Review = DENIED.

FURTHER ORDERED: Request for Attorneys' Fees [Real Party American Bonding Company Receiver] = DENIED.

A panel composed of Vice Chief Justice McGregor, Justice Feldman and Justice Berch participated in the determination of this matter.

Record returned to the Court of Appeals, Division One, Phoenix, this 13th day of August, 2002.

Noel K Dessaint, Clerk

TO:
Don H Pace
Joyce N Van Cott, Glove, & Van Cott PA
F Pendleton Gaines III, Judge, Maricopa County Superior Court
Glen D Clark, Clerk, Court of Appeals, Division One, Phoenix
West Publishing Company
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APPENDIX B

IN THE COURT OF APPEALS
STATE OF ARIZONA
DIVISION ONE

1 CA-SA 02-0069
DEPARTMENT D
MARICOPA County Superior Court No. CV-95-001684

[Filed April 17, 2002]

DON H. PACE, Petitioner, v. THE HONORABLE PENDLETON GAINES, Judge of the SUPERIOR COURT OF THE STATE OF ARIZONA, in and for the County of MARICOPA, Respondent Judge, CHARLES R. COHEN, Receiver of American Bonding Company, and MICHAEL J. FITZGIBBONS, Special Deputy Receiver of American Bonding Company, Real Parties in Interest.	)

ORDER

This special action came on regularly for conference this 17th day of April, 2002, before Presiding Judge Sheldon H. Weisberg and Judges Jon W. Thompson and Ann A. Scott Timmer, and the matter was taken under advisement. After consideration,

IT IS ORDERED that the court of appeals accepts special action jurisdiction and denies relief.

DATED this 17th day of April, 2002.

/s/ _____
Sheldon H. Weisberg, Presiding Judge

APPENDIX C

IN THE SUPERIOR COURT OF THE STATE OF ARIZONA IN AND FOR THE COUNTY OF MARICOPA

No. CV 95-01684
Petition No. 294

[Filed March 1, 2002]

In the Matter of: the Rehabilitation of: AMERICAN BONDING COMPANY, an Arizona corporation.	)
CHARLES R. COHEN, Receiver of American Bonding Company, and MICHAEL J. FITZGIBBONS, Special Deputy Receiver of American Bonding Company, Petitioners,	)
v.	)
DON H. PACE and BONNE L. PACE, husband and wife, Respondents.	)

JUDGMENT OF CONTEMPT OF COURT AGAINST DON H. PACE AND BONNE L. PACE, AND AWARD OF DAMAGES AND SANCTIONS

(Assigned to the Honorable Pendleton Gaines)

The Court, having considered Petition 294 for Order to Show Cause re Contempt filed by Petitioners and the Order to Show Cause issued by this Court on October 26, 2001, and notice and an opportunity to be heard having been given to Respondents by personal service of the Order to Show Cause, but Respondents having failed to appear or seek a continuance of the hearing of the merits of this matter, and the Court having received and considered the documents submitted by the parties, which are contained in the record, including the requests of Petitioners and Respondents for Judicial Notice, and having considered the documentary evidence and testimony offered by the Petitioners at the Order to Show Cause hearing on March 1, 2002,

IT IS HEREBY ORDERED, ADJUDGED, AND DECREED that:

I. Requests for Judicial Notice and Findings of Fact and Conclusions of Law

1. Petitioners' Request for Judicial Notice was submitted in compliance with Rule 201 of the Arizona Rules of Evidence and is granted.

2. Respondents' separate Requests for Judicial Notice are granted only to the extent that the Court has taken judicial notice of the documents referenced therein.

3. Petitioners' request under Rule 52 for findings of fact and conclusions of law is granted and entered separately.

4. In entering this Judgment, the Court adopts and incorporates the Findings of Fact and Conclusions of Law entered by this Court on November 24, 1999, as well as the Findings of Fact and Conclusions of Law entered in relation to Petition 294 concurrently with this Judgment.

II. Don H. Pace's and Bonne L. Pace's Violations of the Receivership Order

5. On or about August 18, 2001, and then on or about September 14, 2001, Don H. Pace and Bonne L. Pace violated the Order for Appointment of Receiver and Injunction, which was entered by this Court on February 2, 1995 ("Receivership Order"), by the filing and/or prosecution of unauthorized counterclaims and third party claims seeking a judgment for $75 million against American Bonding Company, Charles R. Cohen, Sara M Begley, Michael J. FitzGibbons and his prior, current, and successor employers, Joseph M. Hennelly, Jr., and his prior, current, and successor employers, Nicholas C. Guttilla and Guttilla & Murphy, P.C., Joyce N. Van Cott and Glover & Van Cott, P.A., and their agents, associates, or representatives, as well as others who have served, are serving, and will serve the receivership estate in Federal District Court under Case No. CIV-01-1551 PHX SRB. (Recently, the Federal District Court remanded this case to the Maricopa County Superior Court, where it is now pending under Case No. CV2001-010265.)

6. Don H. Pace had actual notice of the injunctive provisions of the Receivership Order prior to the filing of the unauthorized counterclaims and third party claims, yet he did not seek relief from the injunctive provisions of that Order prior to filing and prosecuting the claims against American Bonding Company, the Receiver, and the receivership personnel and receivership attorneys.

7. After the filing of the unauthorized counterclaims and third party claims, Bonne L. Pace was given actual notice of the injunctive provisions of the Receivership Order, yet she refused to cease prosecution of the claims against American Bonding Company, the Receiver, and the receivership personnel and receivership attorneys after being requested to do so.

8. The injunctive provisions of the Receivership Order are binding upon Don H. Pace and Bonne L. Pace, even though these individuals were not originally parties to the American Bonding Company receivership case, because the authority of the Court under A.R.S. § 20-614 (much like the authority of the United States Bankruptcy Court under 15 U.S.C. § 362(a)) operates *in rein* against any individual or entity who undertakes to interfere with the property and administration of the insurance receivership estate, which is under the control of the Receivership Court and which under Title 20 of the Arizona Revised Statutes is to be administered for the benefit of the estate's creditors.

9. This Court has personal jurisdiction over Don H. Pace and Bonne L. Pace to enforce the injunctive provisions of the Receivership Order because, in addition to their contacts with the State of Arizona that support the

exercise of either general or specific personal jurisdiction over them, the violations of the Receivership Order were caused to occur by Respondents in the State of Arizona and were specifically designed by Respondents to injure American Bonding Company, its Receiver, and the receivership staff and attorneys, all of whom are residents of the State of Arizona, and all of whom are protected under the injunctive provisions of the Receivership Order issued by this Arizona Court.

10. The actions and omissions of Don H. Pace and Bonne L. Pace described above were intentional and were designed to interfere with receivership of American Bonding Company. Therefore, the actions and omissions of Respondents constitute contempt of this Court's Receivership Order.

III. Don H. Pace's Violations of the Sanctions Order

11. Don H. Pace violated the Order Granting Receiver's Application for Attorneys' Fees and Motion for Imposition of Sanctions Against Don H. Pace entered by this Court on November 24, 1999 ("Sanctions Order"), and affirmed, by the Arizona Court of Appeal on August 22, 2000, by his improper *ex parte* communication with the Receivership Court accomplished by letter on October 12, 2001, and documented in a Minute Entry filed in this case on October 17, 2001.

12. After this matter (Petition 294) was filed by the Receiver, Don H. Pace further violated the Sanctions Order by his failure to abide by the proof of service requirements imposed upon him in paragraph 5 of that Order.

13. The Sanctions Order is binding upon Don H. Pace because it was entered as a result of Don H. Pace's unsuccessful efforts in 1998 and 1999 to formally intervene in the American Bonding Company receivership case to obtain the appointment of a special master, and as a result of his actions with respect to the Receiver and the Receivership Court thereafter.

14. This Court has personal jurisdiction over Don H. Pace to enforce the Sanctions Order because, in addition to his contacts with the State of Arizona that support the exercise of either general or specific personal jurisdiction over him, the violations of the Sanctions Order were caused to occur by Respondent in the State of Arizona and were specifically designed by Respondent to injure American Bonding Company and its Receiver.

15. Don H. Pace had actual notice of the provisions of the Sanctions Order, yet he did not abide by them.

16. The actions and omissions of Don H. Pace described above were intentional and were designed to interfere with receivership of American Bonding Company. Therefore, the actions and omissions of Don H. Pace constitute contempt of this Court's Sanctions Order.

IV. Frivolous Motion to Quash Purported Service of Order to Show Cause

17. On or about November 19, 2001, Don H. Pace and Bonne L. Pace filed separate Motions to Quash Purported Service of Order to Show Cause. Petitioners responded to the Motions and requested an award of fees and costs as sanctions

for the filing of frivolous motions.

18. On January 23, 2002, this Court denied Respondents' Motions to Quash and reserved Petitioners' request for sanctions until the hearing of the Order to Show Cause re Contempt.

19. The Court now finds that the Motions to Quash were frivolous and were filed in violation of Rule 11 of the Arizona Rules of Civil Procedure.

V. Judgment of Civil Contempt

20. As a result of the violations of the Receivership Order and the Sanctions Order, and as a result of the filing of the frivolous Motions to Quash, the American Bonding Company Receiver has been injured by having to pay for the services of the Special Deputy Receiver and receivership counsel to defend against the unauthorized claims brought by the Paces' and to prosecute this Petition 294 for Order to Show Cause re Contempt.

21. A judgment of civil contempt is hereby entered against Don H. Pace and Bonne L. Pace and they shall pay $56,815.00, jointly, and severally, to the American Bonding Company Receiver, the Special Deputy Receiver's fees and attorneys' fees incurred by the Receiver in relation to Petition 293, Petition 294, and the Receiver's defense of the unauthorized counterclaims and third party claims previously pending in Federal District Court and now pending in the Superior Court.

22. The assessment of Special Deputy Receiver's fees and attorneys' fees includes the amounts incurred in relation to the frivolous Motions to Quash.

23. Don H. Pace and Bonne L. Pace shall immediately dismiss without prejudice all counterclaims and all third party claims asserted in Maricopa County Superior Court Case No. CV2001-010265 against American Bonding Company, Charles R. Cohen, Sara M. Begley, Michael J. FitzGibbons and his prior, current, and successor employers, Joseph M. Hennelly, Jr., and his prior, current, and successor employers, Nicholas C. Guttilla and Guttilla & Murphy, P.C., Joyce N. Van Cott and Glover & Van Cott P.A., and their agents, associates, or representatives, as well as others who have served, are serving, and will serve the receivership estate.

24. If Don H. Pace and Bonne L. Pace do not dismiss the pending claims identified above within fifteen days of the entry of this Judgment, the American Bonding Company Receiver may apply to this Court or the court before whom the counterclaims and third party claims are pending for an order of dismissal without prejudice.

25. If Don H. Pace and/or Bonne L. Pace have filed or file in the future any unauthorized claims against American Bonding Company, its Receiver, and any receivership personnel or attorneys, the Receiver may apply to the court in which such claims are pending for an order of dismissal without prejudice.

26. There is no just reason for delay and this Judgment of Contempt is a final judgment under Rule 54(b).

Superior Court of Arizona Judgment - 3/1/02

ENTERED THIS 1 day of March, 2002.

/s/ _____
PENDLETON GAINES
MARICOPA COUNTY SUPERIOR COURT

ORIGINAL lodged and a copy hand-delivered
this 28th day of February, 2002 to:

Honorable Pendleton Gaines
Maricopa County Superior Court
201 W. Jefferson, ECB 814
Phoenix, Arizona 85003-2329

COPY of the foregoing sent by UPS overnight delivery this
28th day of February, 2002, to:

Mr. Don Pace
Ms. Bonne L. Pace
305 Pelican Circle
Panama City Beach, Florida 32413
UPS Routing Number:
IZ F9E 000 22 1000 188 7

/s/ _____

APPENDIX D

**IN THE SUPERIOR COURT OF
THE STATE OF ARIZONA
IN AND FOR THE COUNTY OF MARICOPA**

No. CV95-01684

[Filed February 2, 1995]

STATE OF ARIZONA, ex rel. CHRIS HERSTAM, Director of Insurance, Plaintiff,	)
vs.	)
AMERICAN BONDING COMPANY, an Arizona corporation, Defendant.	)

**ORDER FOR APPOINTMENT OF
RECEIVER AND INJUNCTION**

Plaintiff, State of Arizona, ex rel. Chris Herstam, Director of Insurance, having filed a Verified Complaint for Appointment of Receiver and for Injunction pursuant to A.R.S. §§ 20-612, 20-613, 20-614, and 20-615; the Defendant, American Bonding Company ("ABC") through its attorney, Philip R. Higdon, having been served with process

and accepted same; having been fully advised of its right to a hearing in this matter and having waived notice of same; and having advised that it waives its right to a hearing on whether a receiver should be appointed; the Court makes the following Findings of Fact and Conclusions of Law and enters the following Orders: ...

[P. 4]...appraisers and other persons to evaluate the property subject to this Receivership and to operate the business of Defendant, as the Receiver may deem necessary in the Performance of his duties and responsibilities in discharging the authority conferred by this Order;

4. Make such payments and disbursements from the property subject to this Receivership and to incur such expenses as may be necessary and advisable in discharging his duties as Receiver and to present to this Court from time to time an accounting of all such payments, disbursements and expenses;

5. Institute, prosecute, defend, compromise, intervene in, seek stays in, or become a party to, such suits, actions or proceedings at law or in equity as may, in the Receiver's opinion, be necessary for the collection, recovery, protection, maintenance, or preservation of the property subject to this Receivership.

B. IT IS FURTHER ORDERED THAT except by leave of this Court, during the pendency of the Receivership order herein, the Defendant and all customers, principals, investors, creditors, stockholders, lessors, and other persons except for the Receiver, seeking, to establish or enforce any claim, right or interest against or on behalf of ABC, and all

others acting for or on behalf of such persons including attorneys, trustees, agents, sheriffs, constables, marshals, and other officers and their deputies and their [P. 5] respective attorneys, servants, agents, employees, be and hereby are enjoined from.

1. Commencing, prosecuting, continuing or enforcing any claim, suit or proceeding against ABC or against any of its assets for a period of one-hundred twenty days (120) from the entry of this Order, unless such time period is modified by the Court with notice to the Receiver. Further, this order does not enjoin the filing of administrative claims with the receiver pursuant to A.R.S. § 20-626 *et seq.* if implemented, or Paragraph (B) (2) of this Order.

2. Notwithstanding any other provision of this Order, claims against ABC shall be filed only as provided below:

a. A person with a claim against ABC shall file his claim with the Receiver as provided in this Order by delivering or mailing the claim to:

Michael J. FitzGibbons
Special Deputy Receiver
American Bonding Company
6245 E. Broadway Blvd., Ste. 600
Tucson, Arizona 85711

b. The claim shall set forth in reasonable detail the amount of the claim (or the basis upon which such amount can be ascertained) and the facts upon which the claim is based. The claim shall also be verified by the affidavit of the

claimant or someone authorized to act on his behalf and having knowledge of the facts, and shall be...

[P. 12] ... 5. Obstructing or interfering or refusing to cooperate with the Receiver appointed pursuant to this or his duly authorized agents, in the exercise of the lawful authority under the Orders of this Court.

DONE IN OPEN COURT this 2 day of Feb. 1995

/s/ _____
Judge of the Superior Court

APPENDIX E

STATE OF ARIZONA
DEPARTMENT OF INSURANCE

Docket No. 8528

[Filed August 25, 1994]

In the Matter of:	)
	)
AMERICAN BONDING	)
COMPANY,	)
Respondent.	)
	)

NOTICE OF DETERMINATION AND ORDER FOR SUPERVISION, AND NOTICE OF HEARING

Based upon information provided by the Corporate and Financial Affairs Division to the Director of Insurance, and based upon the Quarterly Statement as of June 30, 1994 of American Bonding Company (American Bonding), it appears to the Director that Respondent's condition is such as to render the continuance of its business hazardous to the public or to holders of its policies or certificates of insurance, and Respondent has failed to comply with the law, as follows:

1. Respondent, American Bonding is an Arizona domestic insurer and a wholly owned subsidiary of Pace American Group, Inc. (Pace American), a publicly held

Delaware corporation. Pace American is in control of American Bonding within the meaning of the Arizona Holding Company Act, A.R.S. § 20-481, *et seq.* (the Act).

2. Don H. Pace (Mr. Pace) is or was the President, Chief Executive Officer of Pace American and a member of the board of directors of Pace American. Mr. Pace is or was the Vice-President and a member of the board of directors of American Bonding.

3. On or about February 1, 1994, the board of directors of Pace American placed Mr. Pace, among others, on leave of [P. 2] absence pending investigation of serious allegations of improper conduct and self-dealing.

4. On or about March 9, 1994, Mr. Pace was terminated by the Pace American board of directors.

5. On or about May 20, 1994, a group referring to itself as the Concerned Stockholders Committee of Pace American Group, Inc. (Committee) issued a Solicitation of Consents to Remove and Replace Directors of Pace American Group, Inc. (Consent Solicitation).

6. The Committee's Consent Solicitation constituted an offer to enter into an agreement to acquire control of a domestic insurer within the meaning of the Act. However, the Committee failed to obtain the approval of the Director prior to the issuance of the Consent Solicitation, in violation of the Act.

Arizona Department of Insurance Notice and Order
Excerpts - 8/25/94

7. On or about July 7, 1994, the Committee and Pace American, among other parties, entered into a Memorandum of Understanding, and subsequently on July 15, 1994 entered into a Settlement Agreement, terminating certain litigation regarding the Consent Solicitation and resulting in the resignation of the board of directors of Pace American and the election of a new slate of directors to effectuate a prescribed business policy agenda in accordance with the Consent Solicitation. However, the Committee still had not obtained the approval of the Director as required by the Act.

8. On or about July 13, 1994, the Arizona Department of Insurance (Department) advised the Committee that in the interest of the stability of American Bonding the Department ...

[P. 13]...accurately reflected in the appropriate annual financial statements, and provide appropriate amended annual financial statements.

3. Pursuant to A.R.S. § 20-170, the Director appoints FitzGibbons, Tharp & Associates, Inc. as Supervisor.

4. Pursuant to A.R.S. § 20-170, the Director herewith orders that Respondent, during the period of supervision, may not do any of the following things without the approval of the Director or his Supervisor.

(a) Dispose of, convey or encumber any of its assets or its business in force;

(b) Withdraw any of its bank accounts;

(c) Lend any of its funds;

(d) Invest any of its funds;

(e) Transfer any of its property;

(f) Incur any debts, obligations or liabilities whether insurance related or otherwise;

(g) Merge or consolidate with another company; or

(h) Enter into any new reinsurance contract or treat.

5. If Respondent fails to satisfy the requirements to abate this Order within sixty (60) days from the date of this Order, the Director may take appropriate action including but not limited to commencing a conservatorship pursuant to A.R.S. § 20-171 after the hearing provided for below.

6. This matter will be heard on the 25th day of October, 1994, at 9:00 a.m. at the Arizona Department of Insurance 2910 North 44th Street, Suite 210, Phoenix, Arizona 85018 to consider whether Respondent has complied with the [P. 14] Director's requirements. If the Respondent has not complied, the Director will appoint a conservator who shall immediately take charge of Respondent and all of its property, books, records and effects. The conservator shall conduct the business of Respondent and take such steps

toward the removal of the cost and conditions which have necessitated this Order, as the Director may determine.

7. Pursuant to A.R.S. § 20-171(C), the costs incident to the services of the Director, or his Supervisor, or both, including the cost of preparing a transcript of proceedings in any hearing requested by Respondent, shall be charged against the assets and funds of Respondent and shall be paid when fixed and determined by the Director.

8. A.R.S. § 20-164, entitles any person affected by the hearing referenced in paragraph 6 of this Order, to appear in person and by counsel, to be present during the giving of all evidence, to have a reasonable opportunity to inspect all documentary evidence, to examine witnesses, to present evidence in support of his or her interest and to have subpoenas issued by the Director of Insurance to compel attendance of witnesses and production of evidence in his or her behalf.

9. The Director herewith delegates all of his authority, powers, duties and functions, whether ministerial or discretionary, with which he is vested as Director of Insurance of the State of Arizona, whether implied or express, to Harold Merkow for the purpose of acting as hearing officer in this matter. This delegation of authority shall continue until specifically revoked.

[P. 15] 10. Notwithstanding any provision of this Order, nothing herein does or should be interpreted to preclude the Department from taking any regulatory action at anytime, including but not limited to initiation of delinquency

proceedings at any time, even if prior to the hearing set herein.

11. Because good cause exists therefor, this Notice and Order shall become effective immediately.

DATED this 25th day of August, 1994.

/s/ _____
Chris Herstam
Director of Insurance

COPY of the foregoing mailed/delivered this 25th day of August, 1994, to:
W. Mark Sendrow
Assistant Attorney General
Attorney General' s Office
1275 West Washington
Phoenix, Arizona 85007

Arizona Department of Insurance Notice and Order
Excerpts - 8/25/94

Chris Herstam, Director
Gay Ann Williams, Deputy Director
Charles R. Cohen, Executive Assistant Director
Dale Hazlett, Special Assistant
Greg Harris, Administrative Law Judge
Gary Torticill, Assistant Director
Deanna Delmar, Deputy Receiver
Kelly McKay, Assistant Chief Examiner
Barbara Lewis, Assistant Chief Examiner
Laurie Gannon, Assistant Examiner
Arizona Department of Insurance
2910 North 44th Street, Suite 210
Phoenix, Arizona 85018

Emil B. Askew
American Bonding Company
Suite 600
6245 East Broadway Boulevard
Tucson, Arizona 85711

Pace American Group, Inc.
Suite 500
6245 East Broadway Boulevard
Tucson, Arizona 85711

APPENDIX F

STATE OF ARIZONA
DEPARTMENT OF INSURANCE
2910 North 44th Street, Suite 210 Phoenix, Arizona 85018

Fife Symington, Governor
Chris Herstam, Director of Insurance

July 28, 1994

VIA FACSIMILE 282-91-38

Concerned Stockholders Committee
c/o Mauricio Madero, Jr.
Grupo Pragma, S.A. DE C.V.
Andres Bello No. 10 Piso 10
Col. Polanco Chapultepec
C.P. 11560
Mexico, D.F.

VIA FACSIMILE (602) 748-3256

Mr. Emil B. Askew
President
American Bonding Company
Suite 600
6245 East Broadway Boulevard
Tucson, Arizona 85711

Re: AMERICAN BONDING COMPANY; PACE AMERICAN GROUP, INC.; CONCERNED STOCKHOLDERS COMMITTEE

Gentlemen:

Thank you for your letters dated July 20 and 21, 1994 responding to my letter dated July 13, 1994. I and other involved representatives of this Department have carefully reviewed and discussed your letters, and have noted the additions and modifications to the terms of my letter. It is the intention of this correspondence to finally state the terms of the course of action this Department will undertake with respect to the matters giving rise to our previous correspondence, and to describe the mutually acceptable arrangements between the Arizona Department Of Insurance (Department), American Bonding Company (Bonding), Pace American Group, Inc. (Pace), and the Concerned Stockholders Committee (the Committee) to exist for the duration of such course of action, as described below.

1. Notwithstanding that the Department could assert the provisions of the Holding Company Act to deem the Committee's consent solicitation and the vote intended to be effected thereby as ineffective, see A.R.S. § 20-481.02(D), the Department will conditionally recognize the validity of the solicitation, the Settlement Agreement arising therefrom and the replacement of Pace's board of directors with the new slate.

2. The Committee will proceed-to comply with the Form A requirements of the Holding Company Act. The Committee will complete its Form A filing in accordance with subsequent correspondence from the Department as to the completeness of the filing. The proceedings will advance in

accordance with A.R.S. § 20-481, *et. seq.*

The Department intends for its review of the Form A to consist of a complete review of Pace management and the qualifications of the its directors and officers. The Department's diligence will include its independent examination of the activities of Don Pace as a director and officer of Pace, and an assessment of his suitability for future involvement in and control over the affairs of Pace and thereby Bonding.

On Friday, July 22, 1994, this Department received a payment from Bonding in the amount of $25,000, ostensibly as the deposit referred to in my July 13, 1994 letter. I have already conveyed to Steven Miller for the Committee that payment from Bonding is not acceptable as the deposit required from the Committee as a down payment toward the expenses of the Department's diligence with respect to the Committee's Form A filing. The Department had indicated to Mr. Miller that we are willing to apportion the deposit described in my July 13, 1994 letter between Bonding and the Committee to reflect that certain of the expenses to be defrayed thereby relate directly to Bonding. The Department believes it is appropriate to allocate one half the deposit, $12,500, to expenses relating to Bonding. Therefore, the Department requires a deposit in the amount of $12,500 from the Committee with respect to its Form A filing, to be remitted by or before August 2, 1994. The balance of the payment received from Bonding will be applied to its outstanding debt to the Department for financial and market conduct examination expenses.

3. Pace will undertake a full and independent investigation of the activities of Don Pace as a director and officer of Pace, and will share the results thereof with this

Department. Neither Pace nor any member of the holding company system shall engage in any transaction, agreement or other deal-....

DEPARTMENT OF INSURANCE
45 Fremont Street
San Francisco, CA 94105

John Garamendi, Insurance Commissioner

June 2, 1994

Concerned Stockholders Committee
(Pace American Group, Inc.)
c/o D.F. King & Company, Inc.
77 Water Street, 20th Floor
New York, NY 10005

ATTENTION: Concerned Stockholders Committee of Pace American Group, Inc.

SUBJECT: Solicitation of Pace American Group, Inc.'s Shareholder Consents--Violation of California Insurance Code Section 1215.2

California Insurance Code Section 1215.2 prohibits any person from entering into an agreement to acquire control either directly or indirectly of a California domestic insurer or commercially domiciled insurer (see Section 1215.13) without first, among other things, filing an application with, and obtaining prior approval, from the California Insurance Department. As you are aware, American Sentinel Insurance Company is a California domestic insurance company and American Bonding Company is an Arizona domestic insurance company which is commercially domiciled in Pace American Group, Inc. for which you are soliciting shareholder consents in order to remove and replace the entire Board of Directors of Pace American Group, Inc.

A copy of the Consent Statement of Concerned Stockholders Committee dated May 20, 1994 has recently been provided to this Department. Statements in that document make it clear that members of the Concerned Stockholders Committee have entered into an agreement in order to take control of Pace American Group, Inc. by way of soliciting shareholder consents in accordance with Delaware General Corporation law. The Solicitation states that it is the Committees intent to remove the entire Board of Directors, to reduce the number of directors constituting the Board, and to elect their own slate of directors to fill the vacancies. Also covered in the Solicitation are both general and specific business policies and transactions that have been discussed by the Concerned Stockholders Committee and will be undertaken immediately upon taking office. The Concerned Stockholders Committee has already undertaken and entered into transactions that required heretofore filings with the... [P. 3] and policies of Pace American Group, Inc. and its subsidiaries. In addition, you should note that the purpose and intent of the required prior approval filings of Section 1215.2 is to provide regulatory review of the proposed plans and proposals of the persons and entities that are seeking to take control of an insurer. That review includes a determination as to whether those proposals will leave the insurer in a position to satisfy the requirements to continue its license to do business.

As above stated, compliance and filings in accordance with Section 1215.2 are required immediately.

Very truly yours,

/s/ _____

Lorraine Johnson
Senior Staff Counsel
(415) 904-5681

LJ: ams

cc: Janice Kerr, General Counsel
Norris Clark, Chief, Financial Surveillance
Ramon Calderon, Chief, Field Examinations

APPENDIX G

Securities and Exchange Commission
Washington, D.C. 20549

Amendment No. 1
to
Form S-1
Registration Statement Under the Securities Act of 1933

Fold Out Exhibits
pages 33a-36a

As filed with the Securities and Exchange Commission on January 18, 1994

Registration No. 33-70480

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Amendment No. 1
to

Form S-1

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

Pace American Group, Inc.

(Exact name of registrant as specified in its charter)

Delaware	6351	34-1617181
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

Pace American Group, Inc.
3567 East Sunrise Drive, Suite 235
Tucson, Arizona 85718
(602) 745-8855
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Dando B. Cellini, General Counsel
3567 East Sunrise Drive, Suite 235
Tucson, Arizona 85718
(602) 745-8855
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies of all communications, including all communications sent to the agent for service, should be sent to:

DAVID B. HERTZOG, ESQ.
Hertzog, Calamari & Gleason
100 Park Avenue
New York, New York 10017
(212) 481-9500

JOHN D. CURTIS, ESQ.
Baker & McKenzie
4500 Trammell Crow Center
2001 Ross Avenue
Dallas, Texas 75201
(214) 978-3014

Approximate date of commencement of proposed sale to the public: As soon as practicable after the Registration Statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 of the Securities Act of 1933, check the following box. ☐

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price Per Security(1)	Proposed Maximum Aggregate Offering Price(1)	Amount of Registration Fee
Common Stock, par value $.10 per share.....	2,300,000(2)	$11.25	$25,875,000	$8,086
Common Stock, par value $.10 per share	575,000(3)	$ 9.00	$ 5,175,000	$1,785
Total	2,875,000		$31,050,000	$9,871(4)

(1) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457 under the Securities Act of 1933, as amended.
(2) Includes 300,000 shares of Common Stock issuable upon exercise of a 30-day option granted to the Underwriters to cover over-allotments, if any.
(3) Represents shares of Common Stock, including 75,000 shares issuable upon exercise of a 30-day option to Underwriters to cover over-allotments, if any, to be registered in addition to the 2,300,000 shares included in the initial filing of this Registration Statement.
(4) Of the $9,871, $8,086 was previously paid with the initial filing of this Registration Statement.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its Effective Date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

CROSS-REFERENCE SHEET

Pursuant to Item 501(B) of Regulation S-K Under the Securities Act of 1933

Item in Part I of Form S-1	Caption in Prospectus
1. Forepart of the Registration Statement and Outside Front Cover Page of Prospectus	Outside Front Cover Page
2. Inside Front and Outside Back Cover Pages of Prospectus	Inside Front Page; Outside Back Cover Page
3. Summary Information, Risk Factors and Ratio of Earnings to Fixed Charges	Prospectus Summary; The Company; Risk Factors
4. Use of Proceeds	Prospectus Summary; Use of Proceeds
5. Determination of Offering Price	Underwriting
6. Dilution	Not Applicable
7. Selling Security Holders	Not Applicable
8. Plan of Distribution	Outside Front Cover Page; Underwriting
9. Description of Securities to be Registered	Outside Front Cover Page; Dividend Policy; Description of Securities
10. Interests of Named Experts and Counsel	Legal Matters; Experts
11. Information with Respect to the Registrant	Prospectus Summary; The Company; Price Range of Common Stock; Dividend Policy; Use of Proceeds; Capitalization; Selected Consolidated Financial Data; Management's Discussion and Analysis of Financial Condition and Results of Operations; Business; Management; Principal Stockholders; Certain Transactions; Description of Securities; Consolidated Financial Statements
12. Disclosure of Commission Position on Indemnification for Securities Act Liabilities	Management

SUMMARY FINANCIAL INFORMATION

(Dollars in thousands, except per share amounts)

	Year Ended December 31,					Nine Months Ended September 30,			
	1990(1)	1991(1)	1992(1)	1992 (Pro Forma)(2)	1992 (Pro Forma)(3)	1992(1)	1993(1)	1993 (Pro Forma)(2)	1993 (Pro Forma)(3)
Operating Data:									
Gross premiums written	$20,513	$34,790	$49,655	$55,345	$65,865	$35,906	$47,945	$48,980	$52,677
Net premiums earned	11,578	23,039	37,979	42,428	49,355	25,863	39,189	40,178	45,303
Agency commission income	—	863	5,191	5,191	5,191	3,756	766	766	766
Other income	—	—	—	—	495	—	—	—	69
Net investment income	625	718	1,196	1,388	1,626	918	1,373	1,409	1,585
Total revenues	12,160	24,631	44,851	49,515	57,175	31,104	41,702	42,727	48,097
Income (loss) before income taxes and extraordinary items	1,699	2,606	4,269	4,741	1,017	3,799	(979)	(1,086)	(2,507)
Net income (loss) before extraordinary items	1,426	1,916	2,851	2,980	(337)	2,553	(678)	(754)	(2,032)
Net income (loss)	$ 1,580	$ 1,916	$ 3,016	$ 3,145	$ 2,828 (4)	$ 2,746	$ (678)	$ (754)	$(2,032)
Net income (loss) per common share	$ .39	$ .47	$ .71	$ .70	$ .63	$ .72	$ (.12)	$ (.13)	$ (.25)
Stockholders' equity per share of Common Stock(5)	$ 2.48	$ 3.21	$ 5.22	—	—	$ 5.33	$ 5.32	—	—
GAAP loss and loss adjustment expense ratio	34.7%	29.2%	34.9%	37.3%	43.9%	32.7%	46.7%	42.1%	49.9%
GAAP expense ratio	55.4	60.3	57.1	54.7	55.4	57.1	56.6	56.7	55.9
GAAP combined ratio	90.1	89.5	92.0	92.0	99.3	89.8	103.3	103.8	105.8

	As of December 31, 1992	As of September 30, 1993	As of September 30, 1993 (Pro Forma)(3)	As of September 30, 1993 (As Adjusted)(6)
Balance Sheet Data:				
Total cash and cash equivalents, and investments(7)	$43,595	$57,436	$ 59,632	$ 69,076
Total assets	65,751	97,797	107,677	114,237
Total liabilities	35,985	66,958	76,838	61,458
Total stockholders' equity	29,766	30,839	30,839	52,779

(1) Ratios, prepared on the basis of financial information prepared in accordance with generally accepted accounting principles ("GAAP"), reflect operations of the Company's subsidiaries as follows: (i) operations of American Bonding for all periods set forth in the above table; (ii) operations of Agency for the year ended December 31, 1991 and all subsequent periods set forth in the above table; (iii) operations of Insurance Company of the Americas, a wholly-owned subsidiary of the Company ("ICA"), for the nine months ended September 30, 1992, for the year ended December 31, 1992, and all subsequent periods set forth in the above table; and (iv) operations of ASIC from March 16, 1993 to September 30, 1993. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

(2) Represents the results of operations of the Company on a pro forma basis, using the purchase method of accounting, assuming the merger of Bancroft Holdings, Inc. ("Bancroft") into a wholly-owned subsidiary of the Company as of January 1, 1992. See Note 25 of the Notes to Audited Consolidated Financial Statements of the Company. The merger occurred on March 16, 1993. The actual purchase price was approximately $6,415,000 consisting of approximately $3,568,000 in cash and 244,021 shares of Common Stock with a fair market value of approximately $2,847,000. The approximate fair value of the net assets acquired as of December 31, 1992 was $5,324,000, resulting in an excess of cost over fair value of the assets acquired of approximately $1,091,000. Pro forma adjustments have been made to record (i) the amortization of the excess of cost over fair market value of the assets acquired amounting to approximately $73,000 for the year ended December 31, 1992 and approximately $15,000 for the period of January 1, 1993 to March 15, 1993; (ii) the effect of the utilization of the cash paid to acquire Bancroft at an assumed interest rate of 5% per annum resulting in a reduction of net investment income of approximately $178,000 for the year ended December 31, 1992 and approximately $37,000 for the period of January 1, 1993 to March 15, 1993; (iii) the income statement effect of the amortization of the present value of future profits and deferred policy acquisition costs adjustments resulting in a reduction of policy acquisition costs in the amount of approximately $272,000 for the year ended December 31, 1992; and (iv) the income tax effect of (ii) and (iii) resulting in an income tax expense of approximately $186,000 for the year ended December 31, 1992 and an income tax benefit of approximately $13,000 for the period of January 1, 1993 to March 15, 1993.

(3) Represents the results of operations of the Company on a pro forma basis, using the purchase method of accounting, assuming the Bancroft merger as of January 1, 1992, and the purchase of PFG as of January 1, 1992. See Note 2 above for discussion of adjustments relating to the merger of Bancroft. The assumed purchase price of PFG is approximately $4,786,000 consisting of 100% cash. The approximate fair value of the net assets acquired as of September 30, 1993 was $1,857,000, resulting in an excess of cost over fair value of the assets acquired of approximately $2,929,000. Pro forma adjustments for PFG have been made to record (i) the amortization of the excess of cost over fair market value of the assets acquired amounting to approximately $195,000 for the period ended December 31, 1992 and approximately $146,000 for the nine months ended September 30, 1993; (ii) the effect of the utilization of the cash to be paid to acquire PFG at an assumed interest rate of 5% per annum resulting in a reduction of net investment income of approximately $239,000 for the year ended December 31, 1992 and approximately $179,000 for the nine months ended September 30, 1993; (iii) annual savings in interest expense, depreciation and other expenses, net of lease costs as a result of the sale of PFG's home office and certain furniture with savings amounting to approximately $257,000 for the year ended December 31, 1992 and approximately $192,000 for the nine months ended September 30, 1993; and (iv) the income tax effect of (ii) and (iii) resulting in an income tax expense of approximately $6,000 for the year ended December 31, 1992 and approximately $4,000 for the nine months ended September 30, 1993. The pro forma consolidated balance sheet assumes the consummation of the acquisition of PFG as of September 30, 1993.

(4) Includes life insurance proceeds of $3,000,000 received by PFG resulting from the death of its president and majority stockholder.

(5) Stockholders' equity per common share does not include that portion of the stockholders' equity of ICA, attributable to the interest of the Company's former preferred stockholders. See "Description of Securities — Preferred Stock." The portion of stockholders' equity of ICA attributable to the interest the Company's former preferred stockholders is as follows: at December 31, 1991 — $1,254,000; at December 31, 1992 — $1,200,000; at September 30, 1992 — $1,040,000 and at September 30, 1993 — none. Results of operations of ICA are included since the date of the Company's acquisition of ICA on December 31, 1991.

(6) Adjusted to give effect to the sale of the 2,500,000 shares of Common Stock offered by the Company and the application of the net proceeds therefrom as described under "Use of Proceeds."

(7) Cash amounts include restricted cash — funds held. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources" and Note 6 of the Notes to the Audited Consolidated Financial Statements of the Company.

HISTORICAL CONSOLIDATED FINANCIAL DATA

(Dollars in thousands, except per share amounts)

	Predecessor Company(1)							
	Year Ended December 31, 1988	January 1, 1989 to September 29, 1989	Year Ended December 31, 1989(2)	1990	1991	1992(3)	Nine Months Ended September 30, 1992	1993(3)
Summary of Earnings:								
Gross premiums written	$3,202	$2,482	$3,004	$20,513	$34,790	$49,655	$35,906	$47,945
Net premiums earned	$3,235	$2,196	$ 945	$11,578	$23,039	$37,979(3)	25,863	39,189(3)
Agency commission income	—	—	—	—	863	5,191	3,756	766
Other income	—	—	—	—	—	—	—	—
Total underwriting revenues	3,235	2,196	945	11,578	23,902	43,170	29,619	39,955
Underwriting expenses:								
Losses and loss adjustment expenses	1,820	986	797	4,028	6,437	14,202	8,785	16,766
Policy and other acquisition expenses	1,281	823	242	4,514	9,825	16,181	11,777	17,554
Other underwriting expenses	178	209	169	1,901	5,114	9,227	5,924	7,080
Total underwriting expenses	3,279	2,018	1,208	10,443	21,376	39,610	26,486	41,400
Underwriting income (loss)	(44)	178	(263)	1,135	2,526	3,560	3,133	(1,445)
Net investment income	354	241	149	625	718	1,196	918	1,373
Realized gain (loss) on sale of investments	586	76	(227)	(43)	11	485	567	374
Interest expense	—	—	—	5	438	607	508	406
Other expenses(4)			513	13	211	365	311	875
Income (loss) before income taxes and extraordinary items	896	495	(854)	1,699	2,606	4,269	3,799	(979)
Provision for income taxes, net of SFAS 109 effects	310	134	—	273	690	1,418	1,246	(301)
Net income (loss) before extraordinary items	586	361	(854)	1,426	1,916	2,851	2,553	(678)
Extraordinary items	—	—	—	154	—	165	193	—
Net income (loss)	$ 586	$ 361	$ (854)	$ 1,580	$ 1,916	$ 3,016	$ 2,746	$ (678)
Per share of Common Stock and Common Stock equivalents:								
Income (loss) before extraordinary items	—	—	$ (.92)	$ .35	$ .47	$ .67	$ .67	$ (.12)
Extraordinary tax benefit	—	—	—	.04	—	.04	.05	
Net income (loss)	—	—	$ (.92)	$ .39	$ .47	$ .71	$ .72	$ (.12)
Weighted average number of shares of Common Stock outstanding	—	—	924	4,064	4,039	4,236	3,829	5,676

	Predecessor Company(1)	As of December 31,				As of September 30,	As of September 30,
	1988	1989	1990	1991	1992	1993	1993 (As Adjusted)(5)
Balance Sheet Data:							
Total cash and cash equivalents, and investments(6)	$ 8,868	$ 8,784	$17,949	$28,480	$43,595	$57,436	$ 69,076
Total assets	10,546	14,420	24,959	39,797	65,751	97,797	114,237
Total liabilities	3,816	6,794	15,822	27,604	35,985	66,958	61,458
Total stockholders' equity	6,730	7,626	9,137	12,193	29,766	30,839	52,779
Stockholders' equity per share of Common Stock(7)	—	$ 2.07	$ 2.48	$ 3.21	$ 5.22	$ 5.32	$ 6.36

(1) Data included under the Predecessor Company heading reflects the financial condition and results of operations of American Bonding for the year ended December 31, 1988, and the period from January 1, 1989 to September 29, 1989.

(2) The results of operations of the Company for the year ended December 31, 1989, include the results of operations of (i) American Bonding from September 30, 1989 to December 31, 1989, and (ii) Pace American Group, Inc. from January 1, 1989 to December 31, 1989.

(3) These net premiums earned and GAAP ratios include the impact of American Bonding's first excess of loss surety reinsurance treaties using the reinsurance deposit method of accounting. Net premiums earned and loss and loss adjustment expenses are stated gross of cedings to reinsurers on this first excess of loss surety reinsurance treaty. Amounts due from reinsurers are accounted for as decreases to reinsurance deposits. The Company has accounted for this first excess of loss reinsurance treaty in accordance with recent accounting pronouncements of the Commission and the Emerging Issues Task Force ("EITF") of the Financial Accounting Standards Board ("FASB"). The Company's consolidated financial statements for the year ended December 31, 1992, were restated to reflect this method of accounting, and the Company's consolidated financial statements for the nine months ended September 30, 1993, also reflect this method of accounting. See "Management's Discussion and Analysis of Financial Condition and Results of Operations," Note 3 and Note 11 of the Notes to Audited Consolidated Financial Statements of the Company and Note 3 of the Notes to Unaudited Consolidated Financial Statements of the Company.

(4) Includes general and administrative costs of the holding company and amortization of the excess of costs over fair value of assets acquired.

(5) Adjusted to give effect to the sale of the 2,500,000 shares of Common Stock offered by the Company and the application of the net proceeds therefrom as described under "Use of Proceeds."

(6) Cash amounts include restricted cash — funds held. See "Management's Discussion and Results of Operations — Liquidity and Capital Resources" and Note 6 of the Notes to Audited Consolidated Financial Statements of the Company.

(7) Stockholders' equity per common share does not include that portion of the stockholders' equity of ICA attributable to the interest of the Company's preferred stockholders. See "Description of Securities — Preferred Stock." The portion of stockholders' equity of ICA attributable to the interest of the Company's former preferred stockholders is as follows: at December 31, 1991 — $1,254,000; at December 31, 1992 — $1,200,000; at September 30, 1992 — $1,040,000 and at September 30, 1993 — none. Results of operations of ICA are included since the date of the Company's acquisition of ICA on December 31, 1991.

APPENDIX H

Pace American Group, Inc.
American Bonding Company
Operating Comments

Fold Out Exhibits
pages 38a-42a

OUM PROFESSIONAL ASSURANCE COMPANY

Jefferson City, MO

11100 NE 8th Street, Suite 900, Bellevue, WA 98004
Tel: 206-453-5556 Telefax: 206-453-7848 AMB #: 10733 NAIC: 32565

1993 BEST'S RATING

Based on our current opinion of the company's financial condition and operating performance, it is assigned a Best's Rating of F (In Liquidation). Refer to the Preface for a complete explanation of Best's Rating system and procedure. Rating Effective: July 6, 1993.

OPERATING COMMENTS

On December 31, 1992, the company ceased operations, and began to run off its book of business. Effective February 10, 1993, the company was ordered liquidated by the Circuit Court of Cole County, Missouri. Subsequently, on February 18, 1993, the certificate of authority was surrendered.

NOTE: The company did not file a 1992 NAIC convention statement with the A.M. Best Company.

ADMITTED ASSETS ($000)

	Avg. Yield	12/31/91	12/31/90	'91%	'90%
Unaffiliated investments					
Cash & short-term invest	6.9	861	1,254	19.6	32.0
Bonds	8.0	3,375	2,284	76.7	58.3
Accrued interest		60	47	1.4	1.2
Total unaffil invest	7.6	4,295	3,585	97.7	91.6
Premium balances		103	330	2.3	8.4
Total (statement)		4,398	3,914	100.0	100.0

LIABILITIES, SURPLUS & OTHER FUNDS ($000)

	12/31/91	12/31/90	'91%	'90%
Losses & adjustment exp	1,752	1,171	39.8	29.9
Commissions, taxes, exp	2	....	0.1	....
Unearned premiums	577	561	13.1	14.3
Payable to affiliates	51	167	1.2	4.3
Other liabilities	....	8	....	0.2
Total liabilities (sumt)	2,383	1,907	54.2	48.7
Capital paid up	800	800	18.2	20.4
Assigned surplus	1,200	1,200	27.3	30.7
Unassigned surplus	15	7	0.3	0.2
Policyhdrs' surplus (sumt)	2,015	2,007	45.8	51.3
Total	4,398	3,914	100.0	100.0

HISTORY

This company was incorporated on December 22, 1987, under the laws of Missouri and commenced business on December 21, 1988.

Paid-up capital of $2,000,000 consisted of 4,000 shares of $200 par value common stock and $1,200,000 in contributed surplus. All authorized common shares were outstanding.

MANAGEMENT

All of the outstanding common stock was owned by the parent company, OUM Capital Corporation, a holding company based in Bellevue, Washington.

OPERATIONS

The company specialized in reinsuring preferred errors and omissions policies and medical malpractice risks written by Continental Insurance Company, the primary carrier. All business was produced through an exclusive agent, OUM Group Inc., an affiliated company. Policies were written on a claims-made basis.

COMPARATIVE FINANCIAL AND OPERATING EXHIBIT

All figures except ratios in thousands

Year	Best's Rating —Modifier—	FPI	Direct Premiums Written	Net Premiums Written	Pre-Tax Operating Income	Total Admitted Assets	Policyholders' Surplus
			FINANCIAL ($000)				
1988			....	....	7	2,007	2,006
1989	NA-2	1	.	1,179	120	3,022	1,990
1990	NA-3	1	.	1,092	14	3,914	2,007
1991	F	s	....	1,131	89	4,398	2,015
1992	F		....	....	....		....

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Pace American Group, Inc.

PACE AMERICAN GROUP, INC.

6245 E. Broadway Blvd., Suite 600, Tucson, AZ 85711
Tel: 602-747-5555 Telefax: 602-748-7602 AMB #: 04824

Organizational Structure

AMB	COMPANY NAME	DOMICILE
	Pace American Group, Inc.	DE
00119	American Bonding Company	AZ
03657	Insurance Company of the Americas	FL
	Sentinel Holdings, Inc.	AZ
00265	American Sentinel Insurance Company	CA

*FINANCIAL EXHIBIT ($000)

Year	Direct Premiums Written	Net Premiums Written	Pre-Tax Operating Income	Total Admitted Assets
1988	3,106	3,271	-243	[illegible]
1989	5,370	4,664	-72	[illegible]
1990	18,140	13,521	-191	[illegible]
1991	30,699	26,288	1,717	[illegible]
1992	41,647	40,621	2,052	[illegible]
%Change				
1989	72.9	42.6	...	[illegible]
1990	237.8	189.9	...	[illegible]
1991	69.2	94.4	...	[illegible]
1992	35.7	54.5	...	[illegible]

* Source of Data: A. M. Best Consolidation of Statutory Filings

The data shown does not include American Sentinel Insurance Company who was purchased on March 5, 1993.

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Pace American Group, Inc.

AMERICAN BONDING COMPANY

6245 E. Broadway, Suite 600, Tucson, AZ 85711
Mail: P.O. Box 16862, Tucson, AZ 85732
Tel: 602-747-5555 Telefax: 602-748-3256 AMB #: 00119 NAIC: [illegible]

1993 BEST'S RATING

Based on our current opinion of the consolidated financial condition of operating performance of the company and its property/casualty subsidiary, the company is assigned a Best's Rating of A (Excellent). The company's Financial Size Category is Class V. Refer to the Preface for a complete explanation of Best's Rating system and procedure. Rating Effective: June 8, 1993.

OPERATING COMMENTS

Consolidated operating results of the company and its wholly owned subsidiary (Insurance Company of the Americas) have been profitable in each of the last two years. During the prior three years, the run-off of the subsidiary's old business effected 1988-1990 results along with the expenses incurred in the rapid expansion of American Bonding's profitable business. Since year end 1987, surplus has grown 188% to $20 million, mainly as a result of capital contributions from the parent organization. In [illegible] parent completed a successful public stock offering and contributed $ million to the insurance group's surplus. This helped support [illegible] premium growth and will provide for more-moderate premium expansion in 1993 and 1994.

Leverage measures improved with the added capital and the [illegible] 1992 earnings, as evidenced by a lower gross leverage ratio of 4.1 [illegible] measures also benefitted from the added capital, as invested assets now [illegible] covered net liabilities at year end 1992. The group was principally [illegible] in investment grade bonds with laddered maturities, bond funds [illegible] preferred stock), home office real estate (that is 66% leased to [illegible] and cash. Loss reserves excluding the run-off of the subsidiary's old [illegible] have developed satisfactorily and reinsurance is maintained with [illegible] carriers.

In 1993, the group plans to expand direct writings by 30%, with most of this growth coming from profitable surety risks produced by [illegible] affiliated agents in states recently licensed by American Bonding Company. Insurance Company of the Americas subsidiary is currently [illegible] management plans to sell it in the near future.

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ADMITTED ASSETS ($000)

	Avg. Yield	12 31 92	12.31.91	'92%	'91%
...investments	2.9	7,328	3,377	16.6	12.8
...term invest	6.2	10,458	12,635	23.7	48.0
...		7,428	....	16.8	....
...	1.4	1,912	788	4.3	3.0
...	6.8	502	523	1.1	2.0
...		200	....	0.5	....
...		226	279	0.5	1.1
...	4.1	28,054	17,601	63.5	66.9
...		2,220	2,770	5.0	10.5	
...States	-1.0	5,797	5,132	13.1	19.5
		4,105	-300	9.3	-1.1
		3,104	906	7.0	3.4
		470	93	1.1	0.4
...States		436	122	1.0	0.5
...		44,186	26,324	100.0	100.0

...ILITIES, SURPLUS & OTHER FUNDS ($000)

	12/31/92	12/31/91	'92%	'91%
...ent cap	8,996	7,263	20.4	27.6
...in. cap	3,349	2,191	7.6	8.3
...	9,905	6,682	22.4	25.4
...under coded	-1,114	-2,699	-2.5	-10.3
...or others	2,839	2,001	6.4	7.6
...ve funds	....	390	....	1.5
...	23,974	15,828	54.3	60.1
...stmt)	3,000	1,250	6.8	4.7
...	1,000	1,000	2.3	3.8
...	9,295	2,985	21.0	11.3
...	6,917	5,261	15.7	20.0
...stmt)	20,212	10,496	45.7	39.9
...	44,186	26,324	100.0	100.0

INVESTMENT DATA

Total Bonds	% Distribution of Bonds by Maturity: 0-1 Years	1-5 Years	5-10 Years	10-20 Years	20- Years	Yrs-Avg Maturity
25.3	13.0	8.9	2.0	..	1.3	3
8.8	2.4	0.1	2.7	3.6	...	9
41.6	0.6	1.5	24.3	13.9	1.4	10
24.3	1.2	2.4	12.9	5.9	...	8
100.0	19.2	12.9	41.9	23.4	2.7	8

...US Gov't 9.9%; US tax exempt 46.3%; Other Unaffiliated

...ond Portfolio: Investment Grade: US Gov't 13.5%; Class 1 - ...: 4.0%.

...ock: Year end holdings were ($000): Miscellaneous, $7,428

...: Year end holdings were ($000): Cost, $6,418 (14.5%); ..., $3,000 (6.8%); statement value plus encumbrances, $8,797

...e Insurance Affiliates: 10,000 common shares of Insurance ...e Americas (formerly Ormond Reinsurance Company), ...: million.

...e Investments: $5.8 million (29% of PHS) in home office real

SUMMARY OF OPERATIONS 1992 ($000)

...nt of Income		Funds Provided from Operations	
...	36,409	Premiums collected	35,064
...	9,860	Losses paid	10,043
...earned	1,813	Loss expenses paid	1,400
...ned *	21,749	Undrw expenses paid	20,215
...ses	-695	Adj for prior years	...
...& inc	1,584	Other deduct & inc	1,584
...income	2,098	Funds from underwrtg	1,822
...	1,991	Investment income	2,036
...ments	1,525	Investment expenses	1,174
...	1,092	Income taxes	1,543
...income	1,472	Funds from operations	1,140

...Premiums Written & Other Underwriting Exp Incurred

...ums Written	*Commissions	%		*Oth Underw Expenses	%
9,798	11,663	29.3	Salaries&rel us	3,335	8.4
8,008	1,615	20.2	Insur taxes, fees	1,467	3.7
8,164	1,949	23.9	All others	3,769	9.5
...	1,849	...			
9,631	13,178	33.3	Total other exp	8,571	21.6

*...ted to affiliates $558.

Change in Policyholders' Surplus		Change in Funds	
Net operating income	1,472	Funds from operations	1,140
Realized cap gains	321	Realized cap gains	321
Unrealized cap gains	-509	Unrealized cap gains	
Cap & surp paid in	8,000	Cap & surp paid in	8,000
Change in cond'l res	390	Other fund changes	306
Other changes	42	Other changes	
Change in poihdrs' surp	9,716	Change in funds	9,767

HISTORY

The company was formed June 16, 1930 under the laws of Nebraska as the United Hail Insurance Company, a mutual assessment company. It was dormant for approximately three years prior to relicensing in December 1960 as a non-assessable mutual surety company titled American Bonding Company. Conversion from the mutual plan of operation to a capital stock basis under the latter title was completed on December 15, 1962. Effective November 8, 1991, the company redomesticated from Lincoln, Nebraska to Tuscon, Arizona.

Paid in capital of $13,294,855 consists of 300,000 shares of $10 par value common stock, $9,234,8555 of contributed surplus and $1,060,000 in surplus notes with accrued interest. There are 500,000 authorized common shares. The surplus notes were issued to the parent for $1,000,000 and carry an annual interest rate of 6%. Repayment of principal and interest is subject to insurance department approval, once surplus reaches specified levels.

MANAGEMENT

Complete ownership of the company was held by R. W. Johnston until September 29, 1989 when he sold his interest to a newly formed holding company, Pace American Group, Inc. At that time, he retained an option to reacquire American Bonding Company's wholly-owned subsidiary, American Surety Company. This option was later exercised through Mr. Johnston's wholly-owned agency, Guardian General Agency, which completed the acquisition in January 1991.

Due to health reasons, Mr. Johnston withdrew from all involvement in the company in August 1991 and his shares in the holding company were purchased by other holding company shareholders, principally Messrs. Terry and Pace.

On December 30, 1991, all of the outstanding shares of common stock of Ormond Reinsurance Company, Ormond Beach, Florida, were acquired by Pace American Group, Inc. At that time, the latter contributed all of the shares of common stock of the company to American Bonding Company. On March 10, 1992, Ormond changed its name to The Insurance Company of the Americas.

Administration of the company's affairs is directed by Emil B. Askew, president. Mr. Askew has over 30 years of insurance experience, most recently in surety capacities with Continental Insurance Companies and Seaboard Surety. He joined American Bonding in 1991 and previously served as senior vice president of underwriting and as executive vice president.

Officers: President, Emil B. Askew; vice president and treasurer, Theodore R. Stalick; vice presidents, Michael J. Beernaert, James M. Boylan, John C. Fisher, Don H. Pace, James W. Szynal; secretary, Annabelle Santiago.

Directors: Emil B. Askew, Greg S. Kaplan, Dan D. Love (chairman), Don H. Pace, C. Herman Terry.

OPERATIONS

The company specializes in writing surety bonds, particularly for small to medium size contractors on projects that complete within one year. The rules, rates, forms and plans of the Surety Association of America are utilized. Full collateralization is required on certain surety risks. Business is produced by about 80 independent agencies. The company has been approved by the U.S. Treasury to bond federally funded projects. A limited volume of auto liability and physical damage business is also assumed from a Texas county mutual.

Effective July 1, 1991, the company entered into an agreement on all commercial multiple peril business written prior to that date, whereby, the existing losses and loss adjustment expenses were assumed by the Pacific Pioneer Insurance Company. Under this agreement the company transferred approximately $2.0 million in premiums and established a liability for the loss portfolio transfer which equalled $1.1 million at year end 1992.

From January 1, 1987 to December 31, 1990, the company and American Surety Company operated under an intercompany reinsurance arrangement. Under this arrangement, all California business, except commercial multiple peril policies, written by the member companies were pooled and the combined premiums, losses and expenses distributed along specified percentages. The participation of American Bonding Company was 70%.

An examination of the financial condition is being made as of December 31, 1991 by the Insurance Department of Arizona. An independent audit of the company's affairs through December 31, 1992 was conducted by Coopers & Lybrand. An evaluation of reserves for unpaid losses and loss adjustment expenses was made as of December 31, 1992 by Milliman & Robertson.

Affiliations: National Association of Independent Insurers and Surety Association of America.

Territory: The company is licensed in DC, Guam and all states except AL, CT, IL, ME, MA, MI, NH, NJ, NY, ND, RI, SC, VT, WI and WY.

Major Direct Premium Writings by State ($000): California, $14,324 (36.0%); Nevada, $4,412 (11.1%); Florida, $2,965 (7.5%); Oregon, $2,629 (6.6%); Arizona, $2,537 (6.4%); Texas, $2,512 (6.3%); and 29 other jurisdictions, $10,409 (26.2%).

1992 Premiums and Losses by Kind of Insurance ($000)

Kinds of Insurance	Direct Premiums Written	Reinsurance Assumed	Net Premiums Written	% of NPW	Net Premiums Earned	Unpaid Losses & Loss Exp.	Loss Inc. To Prem. Earned
Surety	35,215	665	30,167	76.1	27,753	4,278	21.8
Auto Liability	975	6,295	6,784	17.1	6,674	2,892	60.3
Auto Physical	...	1,048	1,048	2.6	1,138	192	52.5
Other Liability	1,119	...	795	2.0	230	331	78.4
Fire	527	...	331	0.8	89	56	63.0
International	308	...	308	0.8	159	114	74.9
Com'l Multi-Peril	1,609	...	176	0.4	358	1,114	-99.9
All Other	35	...	22	0.1	7	17	...
Totals	39,788	8,008	39,631	100.0	36,409	8,996	27.1

REINSURANCE

The largest net amount insured in any one risk is $292,500. Excess of loss agreements recover 95% of $6,300,000 excess of $200,000 on surety risks and $425,000 excess of $75,000 on property risks. Casualty risks are reinsured above a $400,000 per occurrence loss. The principal reinsurers are Republic Western Insurance Company and Sorema North America Reinsurance Company.

The largest amount recoverable from any reinsurer was $4.0 million (20% of PHS) due from Republic Western Insurance Company. The total amounts recoverable from reinsurers were $3.1 million on paid losses, $3.0 million on unpaid losses, $2.1 million on incurred but not reported losses and $2.4 million on unearned premiums.

UNDERWRITING EXPERIENCE

Year	NPE ($000)	Loss Ratios: Pure Losses	LAE	Loss & LAE	Exp Ratios: Net Com	Other Exp	Total Exp	Div Pol	*Comb. Ratio
1988	3,235	48.9	7.4	56.3	36.8	6.3	43.1	...	99.4
1989	3,234	44.9	10.2	55.1	23.1	10.1	33.2	...	88.3
1990	11,578	26.3	8.5	34.8	38.5	18.0	56.5	...	91.3
1991	23,993	29.2	5.8	34.9	35.2	20.3	55.5	...	90.4
1992	36,409	27.1	5.0	32.1	33.3	21.6	54.9	...	86.9

* Combined loss, expense & dividend to policyholders ratio

COMPARATIVE FINANCIAL AND OPERATING EXHIBIT

All figures except ratios in thousands

Year	Best's Rating Modifier		FPI	FINANCIAL ($000): Direct Premiums Written	Net Premiums Written	Pre-Tax Operating Income	Total Admitted Assets	Policyholders' Surplus
1988	A	qp		3,106	2,948	511	10,098	6,282
1989	A	q		5,370	4,427	329	11,673	6,792
1990	A	q		18,140	13,517	92	18,204	8,675
1991	A	s		30,699	26,286	1,932	26,324	10,496
1992	A	g		39,788	39,631	2,564	44,186	20,212

Year	Profitability Tests: Combined Ratio	POI to NPE	Return on PHS	Leverage Tests: NPW to PHS	Net Leverage	Gross Leverage	Liquidity Tests: Current Liquidity	Quick Liquidity
1988	99.4	15.8	15.2	0.5	1.1	1.1	202.2	116.5
1989	88.3	10.2	18.1	0.7	1.4	1.6	167.6	101.0
1990	91.3	0.8	-6.9	1.6	3.0	4.1	89.0	35.6
1991	90.4	8.1	8.4	2.5	4.3	6.0	80.4	22.3
1992	86.9	7.0	12.6	2.0	3.3	4.1	102.2	37.2
1992 Best's Adjusted Tests				1.7	2.8	3.5	118.2	49.3

Year	Loss Reserves ($000): Org Loss Reserve	Developed thru '92	Paid in '92	Still Unpaid	Loss Reserve Tests: Development to PHS	Development to Ind Avg	Developed to NPE
1987	513	3,964	-24	13	63.3	114.3	99.1
1988	997	3,919	-41	13	46.5	101.2	121.1
1989	1,111	3,624	-119	13	37.0	69.6	112.0
1990	2,760	3,404	-121	125	7.4	15.4	29.4
1991	7,263	5,956	2,329	1,464	-12.5	68.0	24.8
1992	8,996	8,996	8,890	7,883	...	63.6	24.7

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Pace American Group, Inc.

AMERICAN SENTINEL INSURANCE COMPANY

2801 Monterey-Salinas Highway, Monterey, CA 9394[illegible]
Mail: P.O. Box 2750, Monterey, CA 93942-2750
Tel: 408-375-7575 Telefax: 408-375-8929 AMB#: 00265 NAIC#: [illegible]

1993 BEST'S RATING

Based on our current opinion of the company's financial condition, operating performance, it is assigned a Best's Rating of A- (Excellent). The company's Financial Size Category is Class IV. Refer to the Preface for a complete explanation of Best's Rating system and procedure. Rating Effective June 14, 1993.

OPERATING COMMENTS

Since January 1, 1988, the company has assumed a pro rata share of the commercial multi-peril business produced by an affiliated agency and written by Republic Western Insurance Company. The assumed business was supported by outside reinsurance obtained by Republic Western on the underlying business. Profitable underwriting results have been reported on this business in each of the last five years, as evidenced by favorable loss and combined ratios of 62.2% and 95.3%, respectively. Investment income augmented underwriting gains to help produce a profitable 6.1% return on earned premiums for the period.

Surplus has grown from operations and adequately supported written liabilities, as evidenced by low gross leverage ratios of less than 2.0 to 1. A liquidity position was also maintained, as quick and invested assets exceeded net liabilities by 50%. The company was principally invested in investment grade bonds maturing within five years, cash and part of commercial paper.

On March 15, 1993, the company was purchased by Pace American Group, Inc. The company will continue to operate autonomously from its California headquarters, with existing management and personnel. Effective April 1, 1993, the company will write directly all of the commercial multi-peril business it formerly shared with Republic Western. This will result in a sizeable increase in the company's writings from 1992 to 1993. To accommodate this, the company has secured quota share and excess reinsurance through quality reinsurers and received a $5,000,000 contribution from Pace American on June 9, 1993. These actions should enable the company to adequately support the increased volume of the seasoned book of business.

ADMITTED ASSETS ($000)

	Avg. Yield	12/31/92	12/31/91
Unaffiliated investments			
Cash & short-term invest	1.0	3,793	4,945
Bonds	8.3	4,882	2,980
Accrued interest		76	98
Total unaffil invest	4.4	8,750	8,023
Premium balances		951	-104
Reinsurance funds		221	641
Other assets		....	169
Total (statement)		9,922	8,729

LIABILITIES, SURPLUS & OTHER FUNDS

	12/31/92	12/31/91
Losses & adjustment exp	3,184	2,809
Commissions, taxes, exp	3	-19
Unearned premiums	2,539	1,794
Other liabilities	13	68
Total liabilities (stmt)	5,739	4,652
Capital paid up	1,300	1,300
Assigned surplus	2,000	2,000
Unassigned surplus	883	805
Policyhdrs' surplus (stmt)	4,183	4,105
Total	9,922	8,757

INVESTMENT DATA

Bond Classification	Total Bonds	% Distribution of Bonds by Years: 0-1	1-5	5-10	10+
Governments	85.1	21.0	64.2	...	
States, terr&poss	8.7	8.7	...	...	
Industrial&misc	6.2	...	6.2	...	
Total	100.0	29.6	70.4	...	

Bond Income: US Gov't 99.9%; Other Unaffiliated 0.1%

Quality of Bond Portfolio: Investment Grade: US Gov't [illegible] 35.8%.

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OPERATING COMMENTS

The company has been relatively inactive in each of the last five years, as evidenced by the modest amount of premium volume produced from 1988-1992. In 1992, the company recommenced active operations under new owners by writing some workers' compensation insurance (which was fully reinsured) and some international surety bonds (which were fully retained). A modest operating loss was generated in 1992 and surplus declined 20% as a result.

Management advises that, due to the lack of demand for the company's international surety products, it will remain relatively inactive in 1993 and may eventually be sold. At year end 1992, the company was principally invested in investment grade bonds maturing within five years, certificates of deposit and various short term instruments. These assets exceeded net liabilities by 66%. Other assets included a $1.1 million receivable from an affiliate, a majority of which had been received in the second quarter of 1993.

ADMITTED ASSETS ($000)

	Avg.Yield	12/31/92	12/31/91	'92%	'91%
Unaffiliated investments					
Cash & short-term invest	3.5	642	2,791	16.9	79.0
Bonds	8.4	996	5	26.2	0.1
Preferred stock		101	....	2.7	....
Common stock		338	....	8.9	....
Other investments		100	....	2.6	....
Accrued interest		81	14	2.1	0.4
Total unaffil invest	7.0	2,257	2,809	59.4	79.5
Premium balances		282	-655	7.4	-18.5
Reinsurance funds		143	264	3.8	7.5
Receivable from affiliates		1,115	1,115	29.4	31.6
Other assets		2	....	0.1	....
Total (statement)		3,799	3,533	100.0	100.0

LIABILITIES, SURPLUS & OTHER FUNDS ($000)

	12/31/92	12/31/91	'92%	'91%
Losses & adjustment exp	823	624	21.7	17.7
Commissions, taxes, exp	3	1	0.1	0.0
Unearned premiums	535	....	14.1	....
Payable to affiliates	75	....	2.0	....
Other liabilities	-1	....	-0.0	....
Conditional reserve funds	144	138	3.8	3.9
Total liabilities (stmt)	1,579	762	41.6	21.6
Capital paid up	1,000	1,000	26.3	28.3
Surplus notes	5,331	5,331	140.3	150.9
Assigned surplus	8,474	8,155	223.1	230.8
Unassigned surplus	-12,585	-11,716	-99.9	-99.9
Policyhdrs' surplus (stmt)	2,220	2,770	58.4	78.4
Total	3,799	3,533	100.0	100.0

INVESTMENT DATA

Bond Classification	Total Bonds	% Distribution of Bonds by Maturity — Years 0-1	1-5	5-10	10-20	20-	Yrs-Avg Maturity
Government	56.2	6.2	50.0	...	...	...	3
Industrial&misc	43.8	29.2	...	6.8	7.8	...	4
Total	100.0	35.5	50.0	6.8	7.8	...	3

Bond Income: US Gov't 100.0%.

Quality of Bond Portfolio: Investment Grade: US Gov't 50.0%; Class 1 - 50.0%.

SUMMARY OF OPERATIONS 1992 ($000)

Statement of Income		Funds Provided from Operations	
Premiums earned	455	Premiums collected	52
Losses incurred	201	Losses paid	-84
Loss adj exp incurred	25	Loss expenses paid	8
Undrw exp incurred *	912	Undrw expenses paid	910
Net underwrtg income	-683	Funds from underwrtg	-782
Investment income	176	Investment income	111
Investment expenses	4	Investment expenses	4
Net operating income	-511	Funds from operations	-675

*Breakdown - Premiums Written & Other Underwriting Exp Incurred

	Premiums Written	*Commissions	%		*Oth Underw Expenses	%
Direct	1,860	138	7.4	Salaries&rel tss	268	27.1
Assumed	559	99	17.7	Insur taxes, fees	56	5.7
Ceded	1,429	110	7.7	All others	460	46.5
Net	990	127	12.8	Total other exp	785	79.3

Reinsurance: Assumed from affiliates $558.

Change in Policyholders' Surplus		Change in Funds
Net operating income	-511	Funds from operations
Unrealized cap gains	37	Unrealized cap gains
Change in cond'l res	-6	Other fund changes
Other changes	-69	Other changes
Change in polhdrs' surp	-550	Change in funds

HISTORY

This company was incorporated under the laws of Florida on J... under the temporary title of FMI Reinsurance Company. ... amendment filed August 17 of the same year changed the co... to Ormond Reinsurance Company. It began business August ... March 10, 1992, the present title was adopted.

The company was authorized a voluntary suspension by ... Insurance Department on August 27, 1990, effective July 1... suspension was subsequently lifted in late 1991 in connection w... and recapitalization of the company by new owners.

Paid up capital of $1,000,000 consists of 10,000 common s... par value each. All authorized shares are outstanding. The co... surplus note outstanding, including interest, in the amount of $7... settlement of loss commutations with ceding companies.

MANAGEMENT

Complete ownership of the company was held by Oceanside ... Inc. until December 1, 1991, when pursuant to a stock purchase ... all of the outstanding shares of common stock were acquired ... American Group, Inc. Subsequent to the closing, Pace American G... contributed all of the shares of common stock of the company t... Bonding Company, effective December 30, 1991.

The former owner, Oceanside Re Group, Inc., acquired it ... December 1986 from Ormond Re Group, Inc.

Administration of company affairs is headed by Don H. Pace ... of the board, president and chief executive officer. Mr. Pace als... vice president and director of its parent, American Bonding Co... well as president, chief executive officer and director of Pace ... Group, Inc., of which he is a principal stockholder.

Officers: Chairman of the board, president and chief executive ... H. Pace; executive vice president, Dando B. Cellini; vice p... Guillermo Lagos, Dan D. Love, Daniel Oliveras; secretary, ... Santiago; treasurer, Greg S. Kaplan.

Directors: Dando B. Cellini, Robert J. Lucia, Mauricio M... Madero, Don H. Pace (chairman).

OPERATIONS

Since 1984, the company has not written any new open market ... and was running off the portfolio of old business. Subsequ... acquisition of the company by Pace American Group, Inc., the co... started to write surety, special commercial program, private p... auto physical damage and auto liability coverages.

An examination of the financial condition was made as of D... 1991 by the Insurance Department of Florida. An independent ... company's affairs through December 31, 1992 was conducted by ... Lybrand. An evaluation of reserves for unpaid losses and loss ... expenses was made as of December 31, 1992 by Milliman and ...

Territory: The company is licensed in CA, DE, FL, GA, ID, IN, IA, ... NE, NJ, NM, ND, OH, OK, OR, SD, TN, TX, WA and WI. It is ... for reinsurance in Arizona. Credit is allowed as a reinsurer in AL, ... DC, KY, ME, MN, NV, NC, RI, VA and WY.

Major Direct Premium Writings by State ($000): Texas, $1,0... Florida, $432 (23.2%).

1992 Premiums and Losses by Kind of Insurance

Kinds of Insurance	Direct Premiums Written	Reinsurance Assumed	Net Premiums Written	% of NPW	Net Premiums Earned
Surety	...	558	558	56.4	29...
International	432	....	432	43.6	56...
Workers' Comp	1,428	....	....	....	
All Other	...	....	....	-0.1	
Totals	1,860	559	990	100.0	65...

REINSURANCE

The largest net amount insured on any single risk was $... losses up to $1,500,000 are 95% reinsured under a pro ... agreement.

The largest amount recoverable from any reinsurer was $... PHS) due from Credit General Insurance Company. The ... recoverable from reinsurers were $0.1 million on paid losses ... on incurred but not reported losses.

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UNDERWRITING EXPERIENCE

	—Loss Ratios—		—Exp Ratios—				
	LAE	Loss & LAE	Net Com	Other Exp	Total Exp	Div Pol	*Comb. Ratio
	70.1	111.7	404.8	149.2	554.0	...	665.7
	28.3	166.5	24.1	185.3	209.4	...	375.8
	468.7	999.9	-99.9	999.9	999.9	...	999.9
	-99.9	-99.9	-27.5	999.9	999.9	...	900.0
	5.6	49.8	12.8	79.3	92.1	...	141.9

*Loss & dividend to policyholders ratio

...ATIVE FINANCIAL AND OPERATING EXHIBIT

...ll figures except ratios in thousands

		—FINANCIAL ($000)—				
	Direct Premiums Written	Net Premiums Written	Pre-Tax Operating Income	Total Admitted Assets	Policy-holders' Surplus
FPI	...	322	-754	2,701	1,504
	...	238	-401	3,316	1,246
	...	4	-283	2,920	910
1	...	3	-215	3,533	2,770
	1,860	990	-511	3,799	2,220

	—Leverage Tests—			—Liquidity Tests—	
Return on PHS	NPW to PHS	Net Leverage	Gross Leverage	Current Liquidity	Quick Liquidity
-35.7	0.2	4.1	4.2	102.7	97.1
-37.7	0.2	1.8	1.9	119.1	115.1
-25.4	...	2.1	2.2	113.2	112.1
0.8	...	0.2	0.3	366.6	364.8
-19.6	0.4	1.0	2.1	165.9	123.7

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...FIC INTERNATIONAL INSURANCE COMPANY

...38 North New Braunfels, Suite 200,
San Antonio, TX 78217-6361
...ll Telefax: 512-828-2309 AMB #: 10365 NAIC: 13510

1993 BEST'S RATING

...g is assigned a Best's Rating of NA-2 (Less than Minimum Size) ...ny does not meet our minimum size requirement for a letter rating. ...Financial Size Category is Class I. Refer to the Preface for a ...ription of Best's Rating system and procedure. Rating Effective: ...

FINANCIAL PERFORMANCE INDEX

...Financial Performance Index (FPI) evaluation system, the ...igned an FPI of 1 (Not Assigned) on a scale of 1 to 9. Refer to ...for a complete explanation of Best's FPI evaluation system and ...

OPERATING COMMENTS

...ny has been active since late 1983, though only the last four ...tatements have been filed with A.M. Best. Due to the ...e of business and the fluctuation in premium volume, the ...as assigned an FPI as it lacks three representative years of ...rience.

...ny has produced profitable underwriting results in the last three ...rs. The settlement of a non-claim related lawsuit coupled with ...ained from the liquidation of the company's subsidiary, Pacific ...rt, pushed the combined ratio up to 128.3 in 1992. Despite this ...company recorded a net operating gain of $287,000 in 1992. As ...holders' surplus increased 47% to $701,000 in 1992. Net ...ums fell 51% in 1992 due to imposed state restrictions on the ...ny business; which followed two years of rapid premium ...wth. Leverage measures improved to respectable industry ...ls, as ...ndicated by gross leverage ratio of 3.1. The company was 92% ...d in the bulk of assets held in FNMAs, certificates of deposit and ...h accounts.

ADMITTED ASSETS ($000)

	Avg.Yield	12.31.92	12.31.91	'92%	'91%
Unaffiliated investments					
Cash & short-term invest	5.0	578	1,854	32.5	80.7
Bonds		1,022	....	57.6	...
Accrued interest		27	3	1.5	0.1
Total unaffil invest	8.8	1,627	1,857	91.6	80.8
Investments in affiliates		...	5	....	0.2
Premium balances		115	428	6.5	18.6
Other assets		35	9	2.0	0.4
Total (statement)		1,776	2,299	100.0	100.0

LIABILITIES, SURPLUS & OTHER FUNDS ($000)

	12.31.92	12.31.91	'92%	'91%
Losses & adjustment exp	650	713	36.6	31.0
Commissions, taxes, exp	112	55	6.3	2.4
Unearned premiums	306	1,054	17.2	45.8
Other liabilities	6	....	0.3	....
Total liabilities (stmt)	1,075	1,821	60.5	79.2
Capital paid up	280	200	15.8	8.7
Assigned surplus	150	150	8.4	6.5
Unassigned surplus	271	128	15.3	5.6
Policyhdrs' surplus (stmt)	701	478	39.5	20.8
Total	1,776	2,299	100.0	100.0

INVESTMENT DATA

Bond Classification	Total Bonds	% Distribution of Bonds by Maturity —Years— 0-1	1-5	5-10	10-20	20-	Yrs-Avg Maturity
Governments	63.7	...	...	...	63.7	...	15
Industrial&misc	36.3	...	36.3	...	...	...	3
Total	100.0	...	36.3	...	63.7	...	11

Bond Income: US Gov't 100.0%.

Quality of Bond Portfolio: Investment Grade: US Gov't 63.7%; Class 2 - 36.3%.

Large Single Investments: $371,190 (53% of PHS) in long-term bonds in a MONY Funding, Inc. Eurodollar account.

SUMMARY OF OPERATIONS 1992 ($000)

Statement of Income		Funds Provided from Operations	
Premiums earned	1,866	Premiums collected	1,432
Losses incurred	722	Losses paid	445
Loss adj exp incurred	416	Loss expenses paid	475
Undrw exp incurred *	842	Undrw expenses paid	758
Other deduct & inc	198	Other deduct & inc	-9
Net underwrtg income	188	Funds from underwrtg	-237
Investment income	153	Investment income	128
Investment expenses	17	Investment expenses	17
Income taxes	36	Income taxes	62
Net operating income	287	Funds from operations	-189

*Breakdown - Premiums Written & Other Underwriting Exp Incurred

	Premiums Written	*Com-missions	%		*Oth Underw Expenses	%
Direct	1,118	304	27.2	Salaries&rel exp	146	13.0
Assumed	...	...	...	Insur taxes, fees	41	3.7
Ceded	...	...	...	All others	352	31.4
Net	1,118	304	27.2	Total other exp	538	48.1

Change in Policyholders' Surplus		Change in Funds	
Net operating income	287	Funds from operations	-189
Change in cont'l res	...	Other fund changes	-70
Other changes	-63	Other changes	...
Change in polhdrs' surp	224	Change in funds	-259

HISTORY

The company was incorporated on August 22, 1983, as a stock insurer under the laws of Texas and commenced business in November 1, 1983.

Effective January 13, 1992, the company was placed under supervision by the Texas Insurance Department and was subsequently released on April 27, 1992.

Paid-in capital of $430,000 consists of 280,000 shares of $1 par value common stock and $150,000 in contributed surplus. There are 400,000 authorized common shares.

MANAGEMENT

All of the company's stock is owned by Pacific International Management, Inc., an insurance holding company based in Delaware. International Management is wholly owned by company president Val T. Jones.

The company's affairs are managed by Val T. Jones, president, and Charles W. Cipolla, secretary. Mr. Jones has been in the insurance industry since 1958. He began with the Resolute Insurance Group and moved to the Allied Fidelity Insurance Company in 1975. In 1980, he formed Val T. Jones & Associates, Inc., an insurance agency.

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APPENDIX I

REVISED CONSENT STATEMENT OF RIGHT COMMITTEE

c/o Kissel-Blake Inc.
25 Broadway - 6th Floor
New York, New York 10004

December 16, 1994

Revised Solicitation of Consents to Remove and Replace Directors of PACE AMERICAN GROUP, INC.

To Fellow Stockholders of Pace American Group, Inc:

This Revised Consent Statement is being furnished to the holders of the common stock, $0.10 par value, of Pace American Group, Inc. (the "Company" by the Right Committee (the "Committee"). The Right Committee includes stockholders of the Company who are dissatisfied with the actions and nonperformance of the Board of Directors and believe that a change in the Board of Directors is now necessary. **The Right Committee was formed to solicit your consent to remove the incumbent Directors of the Company and replace all of them with the Right Committee's nominees named in this Consent Statement (the "Nominees"). Unfortunately, there was a procedural error in the original filing of the Consent Statement with the Securities and Exchange Commission on December 2, 1994. The initial document has now been sent to all**

shareholders and should be ignored when received.

The Right Committee urges you to ignore any requests of the Company's current Board of Directors to revoke or not to sign the requested consent. Instead, the Committee urges you to sign and return the enclosed RED consent form.

The Revised Consent Statement, together with the enclosed form of consent, is first being mailed or distributed to stockholders of the Company on or about December 16, 1994.

THE RIGHT COMMITTEE

The Right Committee is comprised of W. Brian Hames, Earl C. Nelson, William J. Byrne, Jr. and George Frank, all of the foregoing being collectively referred to as the "Right Committee members". As of the Consent Record Date (defined below), the Right Committee members and Nominees beneficially owned an aggregate of 569,000 shares of the Company's common stock, representing approximately 9.2% of the Company's shares reported by the Company to be outstanding as of December 16, 1994.

[P. 13]...advertising, printing, attorney's fees and the like) will be borne by the Right Committee members, jointly and severally, unless otherwise determined by the Right Committee. The Nominees (other than those who are also Right Committee members) will not bear any portion of such costs of the solicitation. It is estimated that total expenses relating to this solicitation (excluding the cost of litigation) will be approximately $20,000. The Right Committee intends to seek reimbursement from the Company for these expenses and does not presently expect to seek stockholder approval for such reimbursement at a subsequent meeting unless such

approval is required under Delaware law.

ADDITIONAL INFORMATION

The following table sets forth certain information with respect to each person known to the Right Committee to be a beneficial owner of more than 5% of the outstanding common stock of the Company, each known Director and all Directors and executive officers of the Company, as a group. Information with respect to the Nominees is set forth elsewhere in this Consent Statement.

Principal Stockholders of the Company**

Name of Beneficial Owner	Shares Beneficially Owned	Percentage of Common Stock
C. Herman Terry (1)	806,075	12.1%
Don H. Pace (2)	937,729	15.3%
U.S. Intermediaries, Inc.	541,815	8.4%
W. Brian Hames (3)	541,815	8.4%
Earl C. Nelson (4)	545,090	8.4%
Joseph T. Becher	22,291	*
William J. Byrne, Jr. (5)	15,112	*
Val T. Jones	3,000	*
George Frank	2,000	*
Richard Clark (6)	2,500	*
Hartley Lord	1,050	*
Ronald G. Aller	0	*
Paul Oppenheimer	0	*
Frank Gray	0	*
All Directors and executive officers as a group (14 persons)	3,417,477	56%

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* Less than one percent of class.

** Except as otherwise noted, the information provided in this Table has been taken from the Company's preliminary consent revocation statement filed May 3, 1994 and the Concerned Stockholders Committee's Consent Statement dated May 20, 1994.

(1) Includes 210,084 shares issuable upon the conversion, at a price of $4.76 per share, of a $1 million 4% Convertible Subordinated Note. Does not include options to purchase 24,465 shares which become exercisable upon the price of the Common Stock reaching $25 per share. The business address of for Mr. Terry is 1301 Gulf Life Drive #22216, Jacksonville, Florida 32207. The foregoing information is taken from the Company's consent revocation statement and other public announcements by the Company. Based upon the Committee's review of the convertible note provided by the Company, the conversion price is actually the lower of $4.76 per share or the lowest price at which the Company....

LIST OF SHAREHOLDERS
American Insurance Group, Inc.

Name	% of Ownership	Ultimate Owner
Guardian General Agency	25	R.W. Johnston Trust, R.W. Johnston Settlor and Trustee
C. Herman Terry Revocable Living Trust	22	C. Herman Terry, Settlor and Trustee
Don H. Pace	22	Don H. Pace
Oberlin College Endowment Fund	9.7	Oberlin College
J. Yanan & Associates	3	Estate of James Yanan
Ralph Cobey	1.2	Ralph Cobey
Harry Cobey Foundation	1.8	Harry Cobey Foundation Ralph and Hortense Cobey Trustees
Ralph Eidem, Jr.	2.5	Ralph Eidem, Jr.
The Regency Group	2	Mrs. Martin Stein, Hap Stein and Robert Stein
Robert Stein	.4	Robert Stein

Name	% of Ownership	Ultimate Owner
Congress Life Insurance Company	2	Security American Financial Enterprises, Inc. and OTC Public Company with over 900 public shareholders
Gary Williams	1.8	Gary Williams
B.J. Company, a General Partnership	1.3	B.J. Pace and D.H. Pace General Partners
Tech Saeng-Uraiporn	1.2	Tech Saeng-Uraiporn
Thomas Saliba	1	Thomas Saliba
Val T. Jones	1	Val T. Jones